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A Publication of the Ministry of Revenue

## Special Tax Bulletin Budget Highlights

April, 1973

# retail sales tax

The Honourable Allan Grossman — Ontario Minister of Revenue  
Queen's Park, Toronto

The following information is provided as a guideline only and covers the more significant changes to the provisions of The Retail Sales Tax Act presented to the Legislature by the Treasurer of Ontario April 12, 1973. Enabling legislation is being presented for consideration by the Legislature.

Regulations and rulings affected by these changes are being printed and will be distributed as soon as possible.

### NEW TAX RATE OF 7%

Effective May 1, 1973, the tax rate of 5% is changed to 7%.

On and after May 1, 1973, the new tax rate of 7% must be charged on sales of tangible personal property and taxable services which include telephone, telegraph services and transient accommodation. The tax rate of 5% still will apply if the following conditions exist:

- (a) goods purchased were shipped F.O.B. supply point or place of origin, and were in the hands of a common carrier at the purchaser's risk before May 1, 1973;
- (b) goods have been sold to the purchaser, can be physically identified as belonging to him and are held at his risk before May 1, 1973;
- (c) goods are in bond or in transit and are owned by the purchaser before May 1, 1973.

Relief will be granted to a contractor who accepts delivery on or after May 1, 1973, to fulfill a fixed price contract signed before April 12, 1973. Such relief will be extended by rebate.

A concise revised tax calculation schedule is enclosed. Calculations in greater detail are provided on the reverse side of this bulletin.

### ELECTRICITY AND ENERGY PRODUCING FUELS

Effective July 1, 1973, the existing exemption for electricity, coal, coke, steam, natural and manufactured gas will be removed and the tax rate of 7% will apply to the sales of these items exclusive of that used directly in the process of manufacture of tangible personal property.

Energy producing fuels taxed under The Gasoline Tax Act and The Motor Vehicle Fuel Tax Act will be exempt under The Retail Sales Tax Act.

Further details will be provided before the effective date.

### PREPARED MEALS — BASE RAISED FROM OVER \$2.50 TO OVER \$4.00

Effective May 1, 1973, tax is not applicable to the sale price of a prepared meal of \$4.00 or less. Tax at the rate of 10% must be charged on prepared meals over \$4.00. Previously each prepared meal over \$2.50 was taxed.

There is no change in the provision permitting the averaging of two or more prepared meals billed together on one check.

### SEEDS, BULBS, FLOWERS, SHRUBS, TREES AND BUSHES

Effective May 1, 1973, vendors are no longer required to charge tax on their sales of natural seeds, bulbs, flowers, shrubs, trees or bushes. Artificial flowers, shrubs, etc. remain taxable.

### HOUSEHOLD PETS

Effective May 1, 1973, vendors are no longer required to charge tax on animals, birds, fish, etc. sold as household pets.

### SPECIAL OCCASION PERMITS

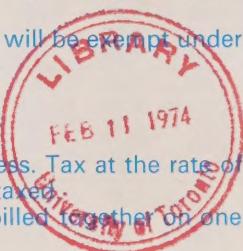
Effective May 1, 1973, holders of Special Occasion Permits for resale issued by the Liquor Licence Board of Ontario will be required to pay a special levy in addition to the licence fee. They will continue to pay tax on their purchases but will not be required to collect tax on their sales of alcoholic beverages as the levy will be in lieu of retail sales tax.

### GENERAL

Changes will be made in The Corporations Tax Act, The Gasoline Tax Act, The Motor Vehicle Fuel Tax Act and The Succession Duty Act. Bulletins will be issued clarifying these changes.

Readers are reminded the information in this bulletin is in condensed form. For greater accuracy in specific applications, reference should be made to the Statute and the Regulations.

Space does not permit full coverage of these changes and to ensure proper compliance it is suggested you write your district Retail Sales Tax Office.



Amount		Tax		Amount		Tax		Amount		Tax		Amount		Tax	
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
.21	.01	10.08	to 10.21	.71	20.08	to 20.21	1.41	30.08	to 30.21	2.11	40.08	to 40.21	2.81		
.22 to .35	.02	10.22	— 10.35	.72	20.22	— 20.35	1.42	30.22	— 30.35	2.12	40.22	— 40.35	2.82		
.36 — .49	.03	10.36	— 10.49	.73	20.36	— 20.49	1.43	30.36	— 30.49	2.13	40.36	— 40.49	2.83		
.50 — .64	.04	10.50	— 10.64	.74	20.50	— 20.64	1.44	30.50	— 30.64	2.14	40.50	— 40.64	2.84		
.65 — .78	.05	10.65	— 10.78	.75	20.65	— 20.78	1.45	30.65	— 30.78	2.15	40.65	— 40.78	2.85		
.79 — .92	.06	10.79	— 10.92	.76	20.79	— 20.92	1.46	30.79	— 30.92	2.16	40.79	— 40.92	2.86		
.93 — 1.07	.07	10.93	— 11.07	.77	20.93	— 21.07	1.47	30.93	— 31.07	2.17	40.93	— 41.07	2.87		
1.08 — 1.21	.08	11.08	— 11.21	.78	21.08	— 21.21	1.48	31.08	— 31.21	2.18	41.08	— 41.21	2.88		
1.22 — 1.35	.09	11.22	— 11.35	.79	21.22	— 21.35	1.49	31.22	— 31.35	2.19	41.22	— 41.35	2.89		
1.36 — 1.49	.10	11.36	— 11.49	.80	21.36	— 21.49	1.50	31.36	— 31.49	2.20	41.36	— 41.49	2.90		
1.50 — 1.64	.11	11.50	— 11.64	.81	21.50	— 21.64	1.51	31.50	— 31.64	2.21	41.50	— 41.64	2.91		
1.65 — 1.78	.12	11.65	— 11.78	.82	21.65	— 21.78	1.52	31.65	— 31.78	2.22	41.65	— 41.78	2.92		
1.79 — 1.92	.13	11.79	— 11.92	.83	21.79	— 21.92	1.53	31.79	— 31.92	2.23	41.79	— 41.92	2.93		
1.93 — 2.07	.14	11.93	— 12.07	.84	21.93	— 22.07	1.54	31.93	— 32.07	2.24	41.93	— 42.07	2.94		
2.08 — 2.21	.15	12.08	— 12.21	.85	22.08	— 22.21	1.55	32.08	— 32.21	2.25	42.08	— 42.21	2.95		
2.22 — 2.35	.16	12.22	— 12.35	.86	22.22	— 22.35	1.56	32.22	— 32.35	2.26	42.22	— 42.35	2.96		
2.36 — 2.49	.17	12.36	— 12.49	.87	22.36	— 22.49	1.57	32.36	— 32.49	2.27	42.36	— 42.49	2.97		
2.50 — 2.64	.18	12.50	— 12.64	.88	22.50	— 22.64	1.58	32.50	— 32.64	2.28	42.50	— 42.64	2.98		
2.65 — 2.78	.19	12.65	— 12.78	.89	22.65	— 22.78	1.59	32.65	— 32.78	2.29	42.65	— 42.78	2.99		
2.79 — 2.92	.20	12.79	— 12.92	.90	22.79	— 22.92	1.60	32.79	— 32.92	2.30	42.79	— 42.92	3.00		
2.93 — 3.07	.21	12.93	— 13.07	.91	22.93	— 23.07	1.61	32.93	— 33.07	2.31	42.93	— 43.07	3.01		
3.08 — 3.21	.22	13.08	— 13.21	.92	23.08	— 23.21	1.62	33.08	— 33.21	2.32	43.08	— 43.21	3.02		
3.22 — 3.35	.23	13.22	— 13.35	.93	23.22	— 23.35	1.63	33.22	— 33.35	2.33	43.22	— 43.35	3.03		
3.36 — 3.49	.24	13.36	— 13.49	.94	23.36	— 23.49	1.64	33.36	— 33.49	2.34	43.36	— 43.49	3.04		
3.50 — 3.64	.25	13.50	— 13.64	.95	23.50	— 23.64	1.65	33.50	— 33.64	2.35	43.50	— 43.64	3.05		
3.65 — 3.78	.26	13.65	— 13.78	.96	23.65	— 23.78	1.66	33.65	— 33.78	2.36	43.65	— 43.78	3.06		
3.79 — 3.92	.27	13.79	— 13.92	.97	23.79	— 23.92	1.67	33.79	— 33.92	2.37	43.79	— 43.92	3.07		
3.93 — 4.07	.28	13.93	— 14.07	.98	23.93	— 24.07	1.68	33.93	— 34.07	2.38	43.93	— 44.07	3.08		
4.08 — 4.21	.29	14.08	— 14.21	.99	24.08	— 24.21	1.69	34.08	— 34.21	2.39	44.08	— 44.21	3.09		
4.22 — 4.35	.30	14.22	— 14.35	1.00	24.22	— 24.35	1.70	34.22	— 34.35	2.40	44.22	— 44.35	3.10		
4.36 — 4.49	.31	14.36	— 14.49	1.01	24.36	— 24.49	1.71	34.36	— 34.49	2.41	44.36	— 44.49	3.11		
4.50 — 4.64	.32	14.50	— 14.64	1.02	24.50	— 24.64	1.72	34.50	— 34.64	2.42	44.50	— 44.64	3.12		
4.65 — 4.78	.33	14.65	— 14.78	1.03	24.65	— 24.78	1.73	34.65	— 34.78	2.43	44.65	— 44.78	3.13		
4.79 — 4.92	.34	14.79	— 14.92	1.04	24.79	— 24.92	1.74	34.79	— 34.92	2.44	44.79	— 44.92	3.14		
4.93 — 5.07	.35	14.93	— 15.07	1.05	24.93	— 25.07	1.75	34.93	— 35.07	2.45	44.93	— 45.07	3.15		
5.08 — 5.21	.36	15.08	— 15.21	1.06	25.08	— 25.21	1.76	35.08	— 35.21	2.46	45.08	— 45.21	3.16		
5.22 — 5.35	.37	15.22	— 15.35	1.07	25.22	— 25.35	1.77	35.22	— 35.35	2.47	45.22	— 45.35	3.17		
5.36 — 5.49	.38	15.36	— 15.49	1.08	25.36	— 25.49	1.78	35.36	— 35.49	2.48	45.36	— 45.49	3.18		
5.50 — 5.64	.39	15.50	— 15.64	1.09	25.50	— 25.64	1.79	35.50	— 35.64	2.49	45.50	— 45.64	3.19		
5.65 — 5.78	.40	15.65	— 15.78	1.10	25.65	— 25.78	1.80	35.65	— 35.78	2.50	50.00	—	3.50		
5.79 — 5.92	.41	15.79	— 15.92	1.11	25.79	— 25.92	1.81	35.79	— 35.92	2.51	50.08	— 50.21	3.51		
5.93 — 6.07	.42	15.93	— 16.07	1.12	25.93	— 26.07	1.82	35.93	— 36.07	2.52	55.00	—	3.85		
6.08 — 6.21	.43	16.08	— 16.21	1.13	26.08	— 26.21	1.83	36.08	— 36.21	2.53	60.00	—	4.20		
6.22 — 6.35	.44	16.22	— 16.35	1.14	26.22	— 26.35	1.84	36.22	— 36.35	2.54	60.08	— 60.21	4.21		
6.36 — 6.49	.45	16.36	— 16.49	1.15	26.36	— 26.49	1.85	36.36	— 36.49	2.55	65.00	—	4.55		
6.50 — 6.64	.46	16.50	— 16.64	1.16	26.50	— 26.64	1.86	36.50	— 36.64	2.56	70.00	—	4.90		
6.65 — 6.78	.47	16.65	— 16.78	1.17	26.65	— 26.78	1.87	36.65	— 36.78	2.57	70.08	— 70.21	4.91		
6.79 — 6.92	.48	16.79	— 16.92	1.18	26.79	— 26.92	1.88	36.79	— 36.92	2.58	75.00	—	5.25		
6.93 — 7.07	.49	16.93	— 17.07	1.19	26.93	— 27.07	1.89	36.93	— 37.07	2.59	80.00	—	5.60		
7.08 — 7.21	.50	17.08	— 17.21	1.20	27.08	— 27.21	1.90	37.08	— 37.21	2.60	80.08	— 80.21	5.61		
7.22 — 7.35	.51	17.22	— 17.35	1.21	27.22	— 27.35	1.91	37.22	— 37.35	2.61	85.00	—	5.95		
7.36 — 7.49	.52	17.36	— 17.49	1.22	27.36	— 27.49	1.92	37.36	— 37.49	2.62	90.00	—	6.30		
7.50 — 7.64	.53	17.50	— 17.64	1.23	27.50	— 27.64	1.93	37.50	— 37.64	2.63	90.08	— 90.21	6.31		
7.65 — 7.78	.54	17.65	— 17.78	1.24	27.65	— 27.78	1.94	37.65	— 37.78	2.64	100.00	—	7.00		
7.79 — 7.92	.55	17.79	— 17.92	1.25	27.79	— 27.92	1.95	37.79	— 37.92	2.65	200.00	—	14.00		
7.93 — 8.07	.56	17.93	— 18.07	1.26	27.93	— 28.07	1.96	37.93	— 38.07	2.66	300.00	—	21.00		
8.08 — 8.21	.57	18.08	— 18.21	1.27	28.08	— 28.21	1.97	38.08	— 38.21	2.67	400.00	—	28.00		
8.22 — 8.35	.58	18.22	— 18.35	1.28	28.22	— 28.35	1.98	38.22	— 38.35	2.68	500.00	—	35.00		
8.36 — 8.49	.59	18.36	— 18.49	1.29	28.36	— 28.49	1.99	38.36	— 38.49	2.69				Use these computations in calculating larger amounts.	
8.50 — 8.64	.60	18.50	— 18.64	1.30	28.50	— 28.64	2.00	38.50	— 38.64	2.70				For Example: Sale \$159.57 Tax on \$100.00 = \$ 7.00 50.00 = 3.50 9.57 = .67	
8.65 — 8.78	.61	18.65	— 18.78	1.31	28.65	— 28.78	2.01	38.65	— 38.78	2.71					
8.79 — 8.92	.62	18.79	— 18.92	1.32	28.79	— 28.92	2.02	38.79	— 38.92	2.72					
8.93 — 9.07	.63	18.93	— 19.07	1.33	28.93	— 29.07	2.03	38.93	— 39.07	2.73					
9.08 — 9.21	.64	19.08	— 19.21	1.34	29.08	— 29.21	2.04	39.08	— 39.21	2.74					
9.22 — 9.35	.65	19.22	— 19.35	1.35	29.22	— 29.35	2.05	39.22	— 39.35	2.75					
9.36 — 9.49	.66	19.36	— 19.49	1.36	29.36	— 29.49	2.06	39.36	— 39.49	2.76					
9.50 — 9.64	.67	19.50	— 19.64	1.37	29.50	— 29.64	2.07	39.50	— 39.64	2.77					
9.65 — 9.78	.68	19.65	— 19.78	1.38	29.65	— 29.78	2.08	39.65	— 39.78	2.78					
9.79 — 9.92	.69	19.79	— 19.92	1.39	29.79	— 29.92	2.09	39.79	— 39.92	2.79					
9.93 — 10.07	.70	19.93	— 20.07	1.40	29.93	— 30.07	2.10	39.93	— 40.07	2.80					



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A Publication of the Ministry of Revenue

## Tax Bulletin

August, 1973

# retail sales tax

### MINISTRY OF REVENUE

Hon. Allan Grossman  
Minister

D. A. Crosbie  
Deputy Minister

Queen's Park; Toronto

Bulletin 73-2

The final legislation arising from the Budget brought down by the Provincial Treasurer contained some changes from the original proposals as they relate to the Retail Sales Tax Act. We believe therefore there is need to provide vendors with additional information. This Bulletin is an elaboration of the major tax proposals outlined in the Special Bulletin of April, 1973.

We would like to say a special "thanks" to vendors who, sometimes under great difficulty, helped us through the transitional period during which the Retail Sales Tax rate changed from 5% to 7%.

The subject matter of this Bulletin has been divided into three sections for easy reference:

1. **Bad debts:** Vendors are now allowed tax relief in connection with the write-off of certain bad debts.
2. **Budget changes:** The main amendments to The Retail Sales Tax Act are outlined, along with other changes introduced at the same time.
3. **General:** Responses to questions frequently asked by vendors and by the public are outlined.

In all cases, we can only provide a summary in the space available here. For further details, reference should be made to the Statutes. If you require additional help, please contact your District Tax Office.

\* \* \*

## write-off of bad debts

### ACT 42(2)(j)

Provision has now been made for some relief to vendors who have collected and remitted tax on sales since May 1, 1972, part or all of which have been written off as "bad debts". Such relief will be available to vendors who have

extended credit to purchasers of taxable goods or items. Vendors may claim a rebate of the amount of tax remitted to the Branch which was on sales that subsequently became bad debts. Rebate application forms will be available at all District Offices on or after August 15, 1973.



# budget changes . . .

## "SEEDS", "TREES, FLOWERS, PLANTS . . ."

### ACT 5(1) 13

A new exemption from retail sales tax has been made for trees, shrubs, bushes, seeds and seedlings, cut flowers and plants, bulbs, growing plants and flowers, and sod. Containers, too, in which such plants are growing, are tax exempt. The exemption also covers floral arrangements, including all types of containers, fern, ribbon and similar items used in the arrangement. Dried flowers, weeds and other plants, even if artificially coloured, are exempt, but artificial flowers, plants and trees remain taxable.

Effective May 1, 1973.

## "LIQUOR, BEER OR WINE"

### ACT 5(1) 48

Persons selling liquor, beer or wine under a Special Occasion Permit (Banquet Permit) are no longer required to charge tax on the selling price. Instead, a special levy is paid by the holder of the permit to the Liquor Control Board. This levy, in addition to sales tax, is paid at the time of purchase.

Effective May 1, 1973.

## "HOUSEHOLD PETS"

### ACT 5(1) 63

A new exemption has been introduced to cover animals, birds, fish and reptiles sold as household pets. Pet food remains taxable.

Effective May 1, 1973.

## "FIXED PRICE CONTRACTS"

### REGULATION 785, SECTION 20(9)

#### Subsection (9) says:

"Where a construction contractor or subcontractor has entered into a fixed price or lump sum construction contract that is made in writing either before the 13th day of April, 1973, or by the acceptance after that date of an irrevocable offer tendered by such construction contractor or subcontractor before that date, the Minister may authorize the rebate of tax imposed by the Act that is paid after the 30th day of April, 1973, and that is in excess of 5%".

This new subsection was introduced to allow relief to construction contractors (both prime and subcontractors), who were "locked into" contracts on which they could not adjust the price to reflect the additional cost of materials and other items purchased at the new tax rate of 7%. This relief may be extended to the contractor by a rebate of tax collected on the purchase of all tangible personal property used in the contract, and is not limited to those materials entering into and becoming part of real property. For example a contractor may purchase form lumber, rent equipment or otherwise acquire taxable items

with which to carry out the contract, and may receive a rebate of the additional 2% tax paid on them. In all cases, however, it must clearly be shown that anything on which a claim is made was used in connection with the contract and, of course, was purchased at the 7% rate.

Rebates may also be made to those who had entered into fixed price contracts for the supply of ready-mix concrete, on which they have paid tax at the higher rate on the taxable ingredients.

Unfortunately no relief can be granted in any case unless a fixed price contract or irrevocable offer was made in writing prior to April 13, 1973.

Effective May 17, 1973.

## "TOUR ORGANIZERS"

### REGULATION 785, SECTION 22(5)

This subsection grants relief to tour organizers with firm commitments to supply transient accommodation, calculated at the 5% tax rate. Under certain circumstances, where 7% tax is paid by the organizer, rather than the 5% calculated, a rebate of 2% may be granted upon application.

Effective May 17, 1973.

## "SPECIAL ORDERS OF PRODUCTION MACHINERY"

### REGULATION 785, SECTION 23(5)

A rebate of tax paid in excess of 5% is available to manufacturers where the requirements of this section, as quoted below, are met:

"Where a person has, before the 13th day of April, 1973, entered into a fixed price contract to sell tangible personal property to a purchaser and where, in order to complete that contract, the person ordered production machinery before the 13th day of April, 1973, and obtained title to that production machinery before the 1st day of November, 1973, such person may apply to the Minister for a rebate of the tax imposed by the Act on the purchase of such production machinery to the extent that such tax is paid after the 30th day of April, 1973, and exceeds 5 per cent".

Effective May 17, 1973.

## "ARTIFICIAL LIMBS"

### ACT 5(1) 30

This exemption is broadened to include "any prosthetic appliance or equipment as defined by the Minister", such as post-mastectomy brassieres.

Effective May 14, 1973.

## "PURCHASES BY MUNICIPALITIES"

### ACT 5(1) 60

The wording of this exemption has been revised slightly to clarify its application only to municipalities or local boards. Subdividers and other persons buying material to install services at their own expense are excluded.

Effective May 14, 1973.

## "CHILDREN'S FOOTWEAR"

### REGULATION 785, SECTION 1(11)

A revised definition of "children's footwear" has been introduced:

"Children's footwear" means footwear in sizes that are designated for children and are, or are equivalent to, sizes up to and including commercial trade size 6 for girls and commercial trade size 6 for boys and includes sports footwear in such sizes."

The definition has been updated to take into consideration the changed styling of children's shoes, particularly shoes with platform soles and heels. The 1" heel height restriction has been removed. The following table outlines the exempt and taxable shoe sizes:

#### Females

Toddlers' Sizes	2-8	EXEMPT
Girls' Sizes	8½-13 and 1-6	EXEMPT
Women's Sizes	5 and up	TAXABLE

#### Males

Toddlers' Sizes	2-8	EXEMPT
Boys' Sizes	8½-13 and 1-6	EXEMPT
Men's Sizes	6 and up	TAXABLE

All types of footwear in exempt sizes are included: ice skates, football boots, ski boots, ballet shoes, running shoes, etc.

Effective May 17, 1973.

## "LONG DISTANCE TELEPHONE CALLS"

### REGULATION 785, SECTION 24(2)

Because pay telephones are not equipped to accept anything less than a 5c piece, the schedule of tax charged through such telephones is rounded to the nearest 5c. A revised schedule has been issued to reflect the new rate of 7%, calculated to the nearest 5c.

## "RATES OF INTEREST"

### REGULATION 785, SECTION 29(5)

This new subsection sets the rate of interest payable by the Ministry of Revenue on certain rebates on which no interest was previously payable.

No interest is payable on rebates of the tax content of bad debts written off.

Effective May 17, 1973.

## "SALES IN BULK — CERTIFICATES"

### ACT 4(1)

In the past, a certificate could not be issued under this section without an audit of the seller's books. This often caused delays and difficulties in closing sales. Subsection (1) has now been amended by the addition of the words "or that such person has entered into an arrangement satisfactory to the Minister for the payment of such taxes

or for securing their payment". This means that the Branch is now able to issue a certificate without prior audit when it receives an undertaking from the seller to pay any taxes that, upon audit, may be found to be collectable or payable. Alternatively, a bond may be provided.

Effective May 14, 1973.

## "ELECTRICITY AND ENERGY PRODUCING FUELS"

The Government has withdrawn the proposal to tax energy; therefore, the item referring to this proposal in the Special Bulletin of April, 1973, should be disregarded.

## general

## "BILLING OF RESTAURANT MEALS"

### ACT 5(1) 2

The exemption for "prepared meals" was raised from \$2.50 to \$4.00 as of May 1, 1973.

This exemption has caused restauranteurs many problems in the past. These difficulties should be reduced if the following procedures are carried out:

- Be sure to retain all bills and cash register tapes for the auditors.
- If you issue a separate bill to each customer, apply 10% sales tax only to those bills that exceed \$4.00, and no tax to bills of \$4.00 or less.
- If meals of several persons are recorded on one bill, "averaging" may be used. If the average price per person totals \$4.00 or less, tax does not apply. However, tax does apply to the full amount of the bill if the average price per patron exceeds \$4.00. If one meal exceeds \$4.00, but the average price of all meals served to a group is less than that, tax does not apply. Similarly, meals priced at less than \$4.00 on a billing averaging in excess of that amount are part of the total taxable bill. Issuing separate bills, when practical to do so, will avoid difficulties.
- In cases in which a number of food items are rung up on a cash register, as in a self-service cafeteria, if the total exceeds \$4.00, the tax will apply. However, if items comprising the meals of several persons are included in one total figure, and the average price per person is \$4.00 or less, there will be no tax.
- Some restaurants divide their bills horizontally or vertically, so that the cost of an individual's meal may be shown separately. Under such circumstances, only those meals sold for more than \$4.00 need to be taxed.
- Because there are a number of acceptable ways of billing meals as outlined above, if you have any doubt as to how you should be billing, ask us. Our staff will be pleased to help you.



## "SALES OF LIQUOR, BEER AND WINE"

Numerous audit problems are encountered in relation to the sale of liquor, beer and wine. Closer attention to details in tax accounting would save both your time and ours. Following is a list of pointers on the collecting and accounting of tax on such sales:

- Liquor, wine, bottled beer and draft beer are all subject to 10% tax under the Act. This applies even if draft beer is sold at less than 21 cents per glass.
- If you provide your customers with checks or cash register receipts, tax must be shown separately on each receipt. The actual tax billed must be remitted with your tax return.
- If you do not provide receipts, the selling price, the tax and the total charge for each type of drink must be prominently posted in public view or listed on beverage lists supplied to customers. For example, a drink costing 75c must be listed as  $68c + 7c = 75c$ . The correct amount of tax must be remitted for every sale.
- There are numerous methods of accounting for tax, some of which are *not* acceptable. For example, the old formula of 1/11th of total sales, including tax, will not necessarily produce an accurate calculation of the exact tax owing.
- Please retain your cash register tapes, guest checks and liquor, wine and beer purchase invoices until permission is granted by your District Office to destroy them.
- Remember, the Retail Sales Tax Act requires the tax to be rounded to the nearest cent and specifies that a fraction of 1/2 cent or more must be rounded upward—for example,  $10\% \times 85c = 9c$  (not 8.5c). Whole numbers only can be used in calculating tax.



## "PURCHASES BY MANUFACTURERS"

### ACT 5(1) 37

Manufacturers are exempted from retail sales tax when they purchase dies, fixtures and tools attached to production machinery. Production machinery, however, is taxable when purchased by a manufacturer.

Frequently, a manufacturer will buy a production machine which comes already equipped with such items. If the total package is billed at one price, the tax applies on the overall amount. If the exempt items are clearly segregated on the invoice and separately priced, tax need not be applied to that portion of the billing, assuming the manufacturer provides his supplier with a purchase exemption certificate.



## "SALES TO DIPLOMATS"

At the request of the Department of External Affairs in Ottawa, the Ontario Government issues special identification cards to persons enjoying diplomatic status in the province.

Diplomats are entitled to make purchases free of Ontario retail sales tax, provided they produce the sales tax identification cards issued to them. Vendors must record

the name and address of the diplomat and the number of his card on the sales slip or invoice. His signature must also appear on the vendor's copy.



## "MOBILE HOMES"

Vendors of mobile homes should explain to their customers that tax is *always* payable by the purchaser of these units. Depending upon the circumstances of the sale, however, the amount of tax is calculated differently:

- If a dealer sells a mobile home in a "mobile" condition, he must charge his customer sales tax on the full selling price.
- If the dealer sets the mobile home up on a lot, connects it to services and makes it in all respects ready to be lived in *before* he sells it, the dealer is acting as a "construction contractor". In this case, the dealer must pay tax on his purchase of the mobile home and all other components he uses in setting it up.

The price paid by the customer will therefore include sales tax in both cases, just as does the price paid for any other type of housing.



## "PURCHASES BY INDIANS"

### ACT 5(1) 64 and 65

Tangible personal property on a reserve, when purchased by an Indian, is exempted from sales tax under Paragraph 64. Such property purchased by an Indian from a merchant off the reserve is also exempt if it is *delivered* to the reserve by the vendor for consumption or use by the Indian. To gain either exemption, the Indian must provide the vendor with a purchase exemption certificate. The vendor is required to support each exempt sale with such a certificate. In cases in which deliveries are made to the reserve, he must be able to prove that the goods were, in fact, sold to an Indian and delivered to the reserve.

Paragraph 65 exempts taxable services, including telephone services, used on a reserve when purchased by an Indian. The vendor of the services must be able to establish that they were provided to an Indian on a reserve and must have on file a purchase exemption certificate.

Regular purchase exemption certificates are acceptable. Vendors may use a rubber stamp on their own invoice copy to be retained on file. The copy must be signed by the Indian customer.



## "CHILDREN'S CLOTHING"

We have recently had a number of queries concerning the application of tax to children's clothing of two particular types:

- *Infants' wear*—"Receiving blankets" and "bunting blankets" are exempted as they are considered to be clothing for infants. Regular crib blankets are taxable, as they are not considered as clothing.
- *Sweaters*—Some sweaters are intended to be worn both for street wear and as athletic uniforms. Generally, these items are an ordinary type of jersey with an insignia or crest of some kind on them. They are considered to be exempt children's clothing in sizes up to and including boys' commercial trade size 18—equivalent to a 34" chest. Clothing worn only as a uniform is taxable.



## "NOTICES OF OBJECTION"

We realize that frequently a taxpayer is going to feel rather strongly about an assessment which has been given him as the result of an audit. If you are assessed and feel you have reasonable cause to argue the amount or the reason for the assessment or any part of it, we remind you there are facilities for lodging an official "Notice of Objection" provided you do so within 60 days of the mailing date of the assessment notice.

This is quite an informal procedure. Still it gives you an opportunity to explain your reasoning to a third party who will review not only the audit working papers but will listen to your side of the story. It costs nothing and will assure you that you either have or have not been assessed in accordance with the law as set out in the Act and Regulations. You are required, of course, to pay the assessment but will be credited if any adjustment is made.



## "RESORT OWNERS"

### RULING 13

Many resorts are operated on the "American Plan", that is, meals and lodging are provided for one total price. To simplify the application of tax, a revised formula reflecting the new 7% rate on lodging is available. Summer camps of various kinds are also involved. Ask your District Office director.



## "SALES OF TOBACCO PRODUCTS"

### ACT 5(1) 61

Tobacco products taxed under the Tobacco Tax Act are not subject to retail sales tax. Nevertheless, retailers of tobacco products are required to register as vendors but need only file a return every six months.



## "FEDERAL SALES TAX, SOFT DRINKS AND CONFECTIONERY"

The Government of Canada has now made law the new exemption announced earlier for soft drinks, candy bars and other confections as well as certain cosmetics. This announcement referred to *Federal* sales tax, which is applied at the manufacturer's level; *not* to retail sales tax. The retail tax continues to apply to the retail sale of soft drinks, chocolate bars, candies and other confections and cosmetics when the selling price totals more than 20c.



## "GOODS BROUGHT INTO THE PROVINCE"

Many businesses and industries operating in Ontario import machinery and equipment from other provinces. Sometimes, in fact, from other countries. When taxable goods are brought into Ontario for the importer's own use, remember, the Ontario sales tax applies. In such circumstances, the value for tax purposes is the laid-down cost in Ontario in Canadian funds, including customs duties, sales and excise taxes where applicable, and transportation charges when shipment is made f.o.b. destination.



## "OUT-OF-PROVINCE PURCHASERS"

Many vendors, particularly automobile dealers, make sales to persons who are not residents of Ontario. In most cases of this kind, the non-residents who buy taxable goods take immediate delivery of them. When this happens, the tax is payable by the purchasers, even if they are buying for resale in some other jurisdiction.

It is important, however, that the Ontario vendor charge sales tax on any goods delivered in Ontario unless such transactions are covered by a purchase exemption certificate. In relatively few instances, though, would non-residents hold Ontario vendor permits authorizing them to issue such certificates.

Vendors should inform such purchasers the Ontario sales tax will be refunded by the government if it is established the goods were removed from Ontario within 30 days of date of purchase.



## "INTEREST ON RENTAL CONTRACTS"

The rental charge on some contracts, particularly long term ones, is made up of two basic parts—one called "principal", the other "interest". Tax applies on the total charge including both these items.

If "interest" or "carrying charges" are segregated on *conditional sales contracts*, tax is not payable on them if they are in addition to the usual or established cash selling price.



## "PURCHASES BY FARMERS — DRAINAGE TILE"

### ACT 5(1) 19

This section exempts materials and equipment to be used for farm irrigation purposes and drainage tile for farm use. Exempt drainage tile can be made of different materials—for example, it may be clay tile, perforated plastic piping or corrugated galvanized pipe. It doesn't matter. It's exempt if used for drainage purposes on the farm, including driveway culverts.



## "RENTAL OR SERVICE — TRUCKS AND OPERATORS"

Companies often contract to have their own goods hauled by independent carriers who supply both vehicle or machine and operator. Sometimes, for a number of reasons, the operator is placed on the company payroll. As a result, the consideration paid by the company for the use of the equipment can be considered as a separate rental, to which tax applies. However, the only contracts of this kind which will be viewed as taxable rentals are those containing:

- terms such as rent, rental, lease, lessor, lessee, or other terms the use of which indicates the contract is intended to be a rental contract, or
- any description of the type or number of vehicles or other equipment to be used to perform the contract.



## "A REMINDER"

No attempt has been made to cover in detail all the changes in the Act and Regulations. We have tried to highlight the most interesting changes and would urge you to contact your District Office, preferably in writing, if you require further details.

It is to the advantage of all vendors to utilize the facilities available through the District Offices listed below. The audit files of appropriate vendors are kept in the offices, and any questions concerning audit should be

directed to them. In addition, each office has the personnel and information available to answer almost any question of interpretation of the Act and Regulations. If the office personnel do not have the answer on any particular item they will find it out for you. Time will invariably be saved by going directly to your District Office for such information.

It is important to you to obtain all rulings in writing. This protects you on future audits and avoids misunderstandings. It is necessary, however, to give the District Office all the details of a particular case in order to get a valid answer.

Following is a list of District Offices:

District Office	District Office Director	Location Telephone Number	Area Covered: (Counties, Districts) (or Regional Municipalities)
Belleville K8N 1E3	W. A. Wormington	208 Dundas St. E. 962-9108	Frontenac, Northumberland, Lennox and Addington Durham, Peterborough, Haliburton, Hastings, Prince Edward, Victoria
Hamilton L8P 1B4	J. G. M. Coll	361 King St. W. 528-8393	Halton, Peel, Wentworth, Brant
Kitchener N2G 1G1	G. W. Prowse	824 King St. W. 4th Floor 744-6318	Huron, Perth, Waterloo, Wellington
London N5W 3B9	P. J. Bruyea	1472 Dundas St. E. 451-3000	Elgin, Lambton, Oxford, Middlesex
North Bay P1B 2H3	G. J. Picard	1500 Fisher St. Northgate Plaza 474-4900	Cochrane, Nipissing, Parry Sound, Temiskaming
Orillia L3V 6K5	R. L. Connell	26 Colborne St. E. P.O. Box 670 326-3519	Muskoka, Simcoe, Bruce, Dufferin, Grey
Ottawa K1Z 7L7	J. M. Sabourin	Hampton Park Plaza 1419 Carling Ave. 729-5103	Regional Municipality of Ottawa-Carleton, Prescott, Leeds, Lanark, Russell, Stormont, Renfrew, Dundas, Glengarry, Grenville
Sudbury P3A 1Z7	F. H. Jeffery	1536 LaSalle Blvd. 674-3151	Algoma, Manitoulin, Sudbury
Thunder Bay P7B 1E3	L. W. Ladouceur	229 Pearl St. 345-1294	Kenora, Rainy River, Thunder Bay
Toronto M4P 1H6	A. C. Keefe	85 Eglinton Ave. E. 487-7161	Regional Municipality of York; Ontario
Welland L3B 3Z7	C. H. Himes	76 Division St. 732-1318 (In St. Catharines and Niagara Falls, call 688-1360 or 688-1368)	Regional Municipality of Niagara; Halimand and Norfolk
Windsor N9A 1A8	S. J. Howard	374 Ouellette Ave. 252-4405	Kent, Essex

**NOTE:** Readers are reminded that much of the information in this Bulletin has been condensed from the Statutes and Regulations. For greater accuracy in specific applications, reference should be made to these sources.



A Publication of the Ministry of Revenue

Special Tax Bulletin  
Budget Highlights

April, 1974

# retail sales tax

MINISTRY OF REVENUE

The Honourable Arthur Meen, Q.C.  
Minister

D. A. Crosbie  
Deputy Minister

Bulletin 74-1

Queen's Park, Toronto

This Special Bulletin is to advise you of significant changes in The Retail Sales Tax Act, proposed in the Ontario Budget on April 9, 1974. Please note the changes will *not* be effective until appropriate amendments to The Retail Sales Tax Act have been made by the Ontario Legislature implementing the Budget proposals. In some cases new regulations are required to implement the Budget proposals. You will be notified, as soon as possible, of the date when the tax changes become effective. In the meanwhile, you should continue to charge the retail sales tax as it currently applies.

The formal regulations or rulings will be distributed as soon as they are available and more detailed information will be published in a later bulletin.

If you require information beyond the summary material presented below, please do not hesitate to contact your nearest District Office.

## NEW EXEMPTIONS ON PERSONAL HYGIENE AND HOUSEHOLD CLEANING ITEMS

The 1974 Budget proposes that the retail sales tax be removed from a wide range of personal hygiene items and household cleaning preparations purchased from retailers for home consumption. The proposed exemptions are not, however, intended to apply to purchases by industrial, commercial and institutional organizations. Such previous exemptions as were available to these organizations remain unchanged.

To assist vendors, we have identified the items that have been recommended for tax exemption along with a representative list of items which are to remain taxable.

### PERSONAL HYGIENE ITEMS

#### TO BE EXEMPT

Babies' skin care preparations  
Facial tissue  
Personal deodorants  
Sanitary pads and tampons  
Shaving soaps and creams  
Toilet soap and hand cleaning preparations  
Toilet tissue  
Toothpaste, tooth powder, denture cleaners, denture adhesives, non-electric toothbrushes, dental floss

#### STILL TAXABLE

Baby hair shampoo  
Bath powders and liquids  
Colognes and perfumes  
Cosmetics, beauty aid preparations, skin care oils, powders and tanning lotions  
Hair brushes, combs, nail files, razors, razor blades, scissors and similar items  
Hair shampoos, conditioners, rinses and other similar preparations  
Sanitary belts and syringes  
Shaving lotions  
Toothpicks and mouthwashes

### HOUSEHOLD CLEANING ITEMS

#### TO BE EXEMPT

Dust and spot removers  
Laundry bleaches, starch, blueing, pre-soaks, rinses, fabric softeners, borax and all other preparations for laundering clothes  
Polishes, waxes and conditioners for floors and furniture  
Powders and liquids for cleaning walls, floors, tiles, glass, metal, cooking utensils, ovens, sinks, rugs, upholstery, toilet bowls, drains and septic tanks  
Shoe polishing and cleaning preparations  
Soaps and detergents

#### STILL TAXABLE

Air fresheners and deodorizers  
Car wax and cleaners  
Disinfectants  
Household paper supplies other than toilet and facial tissues  
Household furniture, equipment, tools and utensils  
Mops, brooms, brushes, polishers, sweepers, pails and other housecleaning utensils and equipment  
Paints, varnishes and thinners  
Polishing, cleaning and drying cloths  
Rubber and plastic gloves  
Scouring pads  
Steel wool  
Wrapping supplies of all kinds.

Government  
Publications

## FOOTWEAR EXEMPTIONS

The 1974 Budget also proposes that all shoes and boots, regardless of style or size, sold for \$30 or less per pair be exempt from sales tax. The expanded exemption is intended to apply to sports footwear, including football boots, skates, ski boots and ballet slippers.

This exemption is designed to replace the present size exemptions for children's footwear and should reduce considerably the administrative load on vendors.

## DISTRICT OFFICES

<i>District Office</i>	<i>District Office Director</i>	<i>Location Telephone Number</i>	<i>Area Covered: (Counties, Districts or Regional Municipalities)</i>
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Orillia L3V 6K5	R. L. Connell	26 Colborne St. E. P.O. Box 670 326-3519	Muskoka, Simcoe, Bruce, Dufferin, Grey
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Welland L2B 2Z7	C. H. Himes	76 Division St. 732-1318 (In St. Catharines and Niagara Falls, call 688-1360 or 688-1368)	Regional Municipality of Niagara; Haldimand and Norfolk
Windsor N9A 1A8	S. J. Howard	374 Ouellette Ave. 252-4405	Kent, Essex

## GENERAL

The 1974 Budget also proposes changes in other Statutes, the details of which will be provided in a separate bulletin. Readers are reminded the information in this Bulletin is in condensed form. For greater accuracy in specific applications, reference should be made to the Statute and the Regulations.



*A Publication of the Ministry of Revenue, Tax Bill*

## Special Tax Bulletin Budget Highlights

April, 1975

# retail sales tax

### MINISTRY OF REVENUE

The Honourable Arthur Meen, Q.C.  
Minister

D. A. Crosbie  
Deputy Minister

Queen's Park, Toronto

Bulletin 75-1

This Special Bulletin is to advise you of significant changes in the Retail Sales Tax Act, proposed by the Treasurer of Ontario, the Honourable Darcy McKeough, in the Ontario Budget of April 7, 1975. Further information will be distributed as soon as it becomes available.

The details as presented in this Bulletin are in summary form and for greater accuracy in specific applications, reference must be made to the Retail Sales Tax Act and Regulations.

If you require immediate information beyond this summary material, please do not hesitate to contact your local Retail Sales Tax District Office as listed on page 5 of this Bulletin.

## BUDGET HIGHLIGHTS

- **TEMPORARY REDUCTION IN RATE TO 5%** April 8, 1975 to December 31, 1975 inclusive.
- **COMPENSATION TO VENDORS** Effective July 1, 1975.
- **TEMPORARY EXEMPTION FOR PRODUCTION MACHINERY AND EQUIPMENT** April 8, 1975 to December 31, 1977 inclusive.
- **CHANGE IN APPLICATION OF TAX TO STAGE PROPS, SETS AND COSTUMES** Effective April 8, 1975.
- **TIME LIMIT FOR REFUNDS SET** Effective April 8, 1975.
- **TEMPORARY EXEMPTION FOR CONSTRUCTION MACHINERY AND EQUIPMENT** April 8, 1975 to December 31, 1977 inclusive.
- **DEFINITION OF TELEPHONE SERVICES REVISED** Effective July 1, 1975.
- **RETURNABLE MILK CONTAINERS EXEMPT** Effective April 8, 1975.



### TEMPORARY REDUCTION IN RATE TO 5%

Effective from April 8, 1975 to December 31, 1975 inclusive.

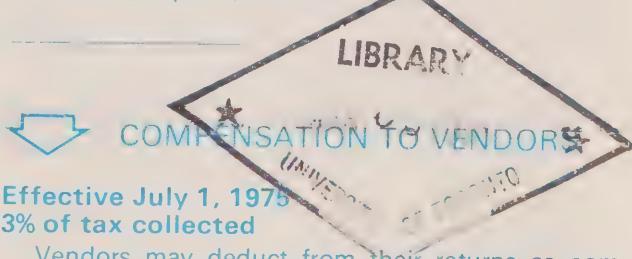
As a temporary measure, the 7% rate of tax on purchasers of tangible personal property and taxable services is reduced to 5%. The reduced rate of 5% applies to all sales of taxable tangible personal property and taxable services made between April 8, 1975 and December 31, 1975 inclusive.

The date of "sale" as referred to here is generally the date on which delivery is made to the purchaser.

The rate of tax to be charged on rentals is governed by the rental period. For rent covering periods prior to April 8, 1975, 7% must be charged. For rental charges covering periods from April 8, 1975 to December 31, 1975, both inclusive, tax must be charged at 5%. Split billings may be required.

The 10% tax rate on purchasers of liquor, beer and wine and on purchasers of prepared meals sold at a price of over \$4.00 remains unchanged.

The tax on purchasers of admissions to places of amusement also remains unchanged.



Effective July 1, 1975  
3% of tax collected

Vendors may deduct from their returns as compensation for their services in collecting and remitting the tax, the following amounts:

Tax Collected \$	Compensation \$
0- 1.99	The tax collected
2.00-66.99	2.00
67.00 and over	3% of tax collected. Maximum \$500 per fiscal year*

\*Fiscal year means July 1, 1975 to March 31, 1976 and each full year ending on March 31st thereafter.

The compensation payable to vendors shall be applicable to tax collected on sales made on and after July 1, 1975.



# TEMPORARY EXEMPTION FOR PRODUCTION MACHINERY AND EQUIPMENT

**Effective April 8, 1975 to December 31, 1977 inclusive**

(Subject to order and delivery dates below)

Production machinery and equipment used in the production of tangible personal property, will be exempt from the tax for the period commencing April 8, 1975 and ending December 31, 1977 upon the conditions that:

- (a) the order for such machinery has been placed between April 8, 1975 and December 31, 1976 inclusive; and
- (b) with respect to such order a special form of purchase exemption certificate (see page 4) certifying the date of the order is signed by both purchaser and supplier; and
- (c) the delivery takes place on or before December 31, 1977; and
- (d) if delivery is to be made in the 1977 calendar year, the purchaser files with the local District Retail Sales Tax Office on or before December 31, 1976 a copy of each unfilled order which exceeds \$15,000; and
- (e) any contract for the purchase or rental of machinery or equipment which is cancelled and renegotiated primarily for the purpose of qualifying for tax exemption will not so qualify.

The exempt production machinery and equipment, subject to the exclusions noted in clauses (1) to (9) below, is

- (a) machinery and equipment used in the
  - (i) manufacture or production of tangible personal property for sale or use by manufacturers or producers;
  - (ii) research and development of other production machinery and equipment by manufacturers or producers;
  - (iii) research and development of products by manufacturers or producers;
  - (iv) quality control of goods in process;
- (b) unlicensed vehicles used in mining, logging, quarrying and manufacturing;
- (c) logging machinery and equipment;
- (d) machinery and equipment used in the exploration, discovery or development of petroleum, natural gas or minerals;
- (e) closed circuit television equipment and other control equipment used exclusively for the control and supervision of machinery and equipment in industrial processes;
- (f) tanks, bins and silos in which materials are undergoing a process of manufacture, kilns and blast furnaces;
- (g) systems, including smoke stacks and smoke abatement equipment, for exhausting dust and noxious fumes from manufacturing processes;
- (h) machinery and equipment used in the detection, measurement, prevention, treatment, reduction or removal of pollutants to water, soil or air attributable to the manufacture or production of tangible personal property;
- (i) equipment used in carrying refuse or waste from machinery and equipment used by manufacturers in the production of tangible personal property;

but in general does not include items such as the following

- (1) machinery and equipment ordered before April 8, 1975
- (2) machinery and equipment used by a person who does not manufacture or produce tangible

personal property of a value exceeding \$5,000 per annum;

- (3) office equipment and furniture and office supplies for use in offices or manufacturing plants;
- (4) boats, aircraft and licensed vehicles;
- (5) footings for machinery and equipment or catwalks, unless such catwalks are attached to production machinery and equipment;
- (6) rails and track materials and bins, tanks, silos, racks, shelving and other facilities permanently attached to real property used for storage of materials on or off the premises of the manufacturer;
- (7) parts for general repair and maintenance of production machinery and equipment;
- (8) tools and equipment used to repair or service machinery, equipment and facilities;
- (9) machinery and equipment used by manufacturers and producers in loading, unloading and warehousing areas.

## Note

The eligibility period for exemption of production machinery and equipment referred to above does not apply to the articles defined by the Minister in paragraphs (3) to (10) of section 1 of Regulation 784. These dies, jigs, product-holding fixtures, moulds, patterns for dies, jigs, product-holding fixtures, moulds, tools attached to production machinery, explosives and refractory materials remain exempt without any limitation regarding date of order or delivery.

## Rentals of Production Machinery and Equipment:

The application of tax to rentals will be governed by the following:

- (a) Rental contracts for production machinery and equipment, entered into prior to April 8, 1975 and continuing after April 8, 1975 are taxable at the rate of 7% on charges covering rental periods up to April 7, 1975 and at the rate of 5% on charges for rental periods from April 8, 1975 to December 31, 1975, both inclusive.
- (b) Rental contracts for production machinery and equipment entered into during the period from April 8, 1975 to December 31, 1976, both inclusive, are exempt of tax with regard to rental charges for that period.

## Production Machinery and Equipment Manufactured for Own Use:

- (a) Where manufacture of a unit of machinery or equipment for own use is commenced prior to April 8, 1975 and the unit is completed on or before December 31, 1975, tax must be accounted for at the rate of 5% on the manufactured cost at the time of completion of the unit.
- (b) Where manufacture of a unit of machinery or equipment for own use is commenced on or after April 8, 1975 and before December 31, 1976 and the unit is completed on or before December 31, 1977, the unit is exempt of tax. The person manufacturing machinery and equipment for own use of a value exceeding \$15,000 must file with the local District Retail Sales Tax Office in writing a description of the machinery and equipment manufactured and the date of commencement of manufacture.



## STAGE PROPS, SETS AND COSTUMES

Effective April 8, 1975, religious, charitable, benevolent and non-profit organizations staging live theatrical or musical performances are no longer required to pay tax on the labour and overhead costs involved in the manufacture of stage sets, props and costumes which they produce for their own use. They are however, required to pay tax on the purchase price paid by them for materials entering into such stage sets, props and costumes produced for own use or to pay tax on the full purchase price or rental of completed props, sets and costumes purchased from suppliers.



## TIME LIMITATION WITH RESPECT TO APPLICATION FOR REFUND OF TAX

Effective April 8, 1975 refunds with respect to overpayments of tax will not be made unless the application for such refund is filed with the Ministry of Revenue within two years of the date of overpayment.

Where claimants are unable to file their claim within the two-year period but can, within that period, provide evidence of the nature of the claim and adequate justification for the late filing of the claim, the Minister may extend the time for filing, but in no case shall such extension exceed six months.



## TEMPORARY EXEMPTION FOR CONSTRUCTION MACHINERY AND EQUIPMENT

**Effective April 8, 1975 to December 31, 1977 inclusive**  
(Subject to order and delivery dates below)

Construction machinery and equipment purchased by contractors or others and used by them in the construction of any real property, building, structure, fixture, road or similar project will be exempt from tax for a period commencing April 8, 1975 and ending December 31, 1977 upon the conditions that:

- (a) the order for such construction machinery and equipment has been placed between April 8, 1975 and December 31, 1976 inclusive and
- (b) with respect to such order a special form of purchase exemption certificate (see page 4) certifying the date of the order is signed by both purchaser and vendor, and
- (c) the delivery takes place on or before December 31, 1977 and
- (d) if delivery is to be made in the 1977 calendar year, the purchaser files with the local District Retail Sales Tax Office on or before December 31, 1976 a copy of each unfilled order which exceeds \$15,000; and
- (e) any contract for the purchase or rental of machinery or equipment which is cancelled and renegotiated primarily for the purpose of qualifying for tax exemption will not so qualify.

The exempt construction machinery and equipment, subject to the exclusions noted in clauses (1) to (8) below, is that used directly in the construction of real property, buildings, structures, fixtures, roads or similar projects and, in general, includes any of the following:

- (a) tractors, crawlers, bulldozers, loaders, back-hoes, power shovels, earth movers, earth compactors, rollers and pile drivers;
- (b) cranes, derricks and temporary hoists;
- (c) welding machines, air compressors and pumps;
- (d) equipment used directly in the preparation, placing, paving, laying, finishing or spreading of concrete or asphalt;

- (e) pipe laying, pipe wrapping and pipe welding equipment;
- (f) mixer units on ready-mix trucks but not the truck itself;

but, in general, does not include items such as the following:

- (1) machinery and equipment ordered before April 8, 1975;
- (2) licensed trucks of all kinds, for example, dump, flat bed, tank, chassis for mounting cranes or concrete mixer units;
- (3) automobiles, station wagons, pick-up trucks and similar vehicles;
- (4) scaffolding, forms or safety hoardings;
- (5) any items of machinery or equipment having a unit cost of less than \$500;
- (6) equipment used to repair or service construction machinery or equipment;
- (7) repair parts;
- (8) explosives;

### Rentals of Construction Machinery and Equipment

The application of tax to rentals will be governed by the following:

- (a) Rental contracts for construction machinery and equipment, entered into prior to April 8, 1975 and continuing after April 8, 1975 are taxable at the rate of 7% on charges covering rental periods up to April 7, 1975 and at the rate of 5% on charges for rental periods from April 8, 1975 to December 31, 1975, both inclusive.
- (b) Rental contracts for construction machinery and equipment entered into during the period from April 8, 1975 to December 31, 1976, both inclusive, are exempt of tax with regard to rental charges for that period.



## TELEPHONE SERVICES

Effective July 1, 1975, taxable telephone services are to be defined as:

- (a) Local and long distance telephone calls
- (b) Long distance private telephone service.
- (c) Wide area telephone service.
- (d) Foreign exchange telephone service.



## RETURNABLE MILK CONTAINERS

Effective April 8, 1975, returnable milk containers will be exempt from Retail Sales Tax presently payable by the dairy industry



## SPECIAL PURCHASE EXEMPTION CERTIFICATE

The special form of purchase exemption certificate referred to above is available from your local District Retail Sales Tax Office and is reproduced below. It must be forwarded in duplicate by the purchaser to his supplier. The supplier must sign both copies in the space provided, retain one copy and return the other copy to the purchaser.

### MACHINERY AND EQUIPMENT PURCHASE EXEMPTION CERTIFICATE

**To be completed by Purchaser:**

Under paragraph 49 of Subsection 1 of Section 5 of *The Retail Sales Tax Act*, exemption is hereby claimed from tax on the purchase of production or construction machinery and equipment as described in order number \_\_\_\_\_ (or other identification) to be used in the manufacture or construction of the following items:

Print or Type

Purchaser's Name: .....  
Print or Type

Original order placed

(verbal or written) for the above items: ..... Day ..... Month ..... Year .....

I/We certify the above information is true and correct:

.....  
Signature of Purchaser or Authorized Official

Date

**To be completed by Vendor:**

Vendor's Name

Print or Type

Vendor's Address

Print or Type

I/We certify the date of the original order was:

..... Day .....

Month .....

.....  
Signature of Vendor or Authorized Official

## RETAIL SALES TAX DISTRICT OFFICES

Information on the Budget changes concerning Retail Sales Tax as well as the special Machinery and Equipment Purchase Exemption Certificates, the new 5% rate schedules and extra copies of this Bulletin are available at the following Retail Sales Tax District Offices:

### DISTRICT OFFICES

<i>District Office</i>	<i>District Office Director</i>	<i>Location Telephone Number</i>	<i>Area Covered: (Counties, Districts or Regional Municipalities)</i>
Belleville K8N 1E3	W. A. Wormington	208 Dundas St. E. 962-9108	Frontenac, Northumberland, Lennox and Addington Durham, Peterborough, Haliburton, Hastings, Prince Edward, Victoria
Hamilton L8P 1B4	J. G. M. Coll	361 King St. W. 528-8393	Halton, Peel, Wentworth, Brant
Kitchener N2G 1G1	G. W. Prowse	824 King St. W. 4th Floor 744-6318	Huron, Perth, Waterloo, Wellington
London N5W 3B9	P. J. Bruyea	1472 Dundas St. E. 451-3000	Elgin, Lambton, Oxford, Middlesex
North Bay P1B 2H3	G. J. Picard	1500 Fisher St. Northgate Plaza 474-4900	Cochrane, Nipissing, Parry Sound, Temiskaming
Orillia L3V 6K5	R. L. Connell	19 Front St. N. P.O. Box 670 326-3519	Muskoka, Simcoe, Bruce, Dufferin, Grey
Ottawa K1Z 7L7	J. M. Sabourin	Hampton Park Plaza 1419 Carling Ave. 728-5887	Regional Municipality of Ottawa-Carleton, Prescott, Leeds, Lanark, Russell, Stormont, Renfrew, Dundas, Glengarry, Grenville
Sudbury P3A 1Z7	W. E. Hyder	1536 LaSalle Blvd. 674-3151	Algoma, Manitoulin, Sudbury
Thunder Bay P7C 5G6	C. H. Westerback	435 James St. S. P.O. Box 5000 345-1294 or 475-1681	Kenora, Rainy River, Thunder Bay
Toronto M4P 1H6	A. C. Keefe	85 Eglinton Ave. E. 487-7161	Regional Municipality of York; Ontario
Welland L3B 3Z7	C. H. Himes	76 Division St. 732-1318 (In St. Catharines and Niagara Falls, call 688-1360 or 688-1368)	Regional Municipality of Niagara; Haldimand and Norfolk
Windsor N9A 1A8	S. J. Howard	374 Ouellette Ave. 252-4405	Kent, Essex

## MINISTRY OF REVENUE AREA AND REGIONAL ASSESSMENT OFFICES AND PROVINCE OF ONTARIO SAVINGS OFFICES

Supplies of the special Machinery and Equipment Purchase Exemption Certificates, the new 5% rate card and extra copies of this Bulletin are available at the following Area and Regional Assessment Offices and Province of Ontario Savings Offices.

Note that the above *supplies only* are available at these offices. For information and for details of the changes, your local Retail Sales Tax Office as listed on page 5 *must* be consulted.

### MINISTRY OF REVENUE AREA AND REGIONAL ASSESSMENT OFFICES

#### Eastern Ontario Area Offices 244 Rideau St., Ottawa

Prescott-Russell-Stormont-Dundas-Glengarry Regional Office  
132 Second Street East, Cornwall

Lanark-Leeds-Grenville Regional Office  
95 Parkdale Ave., Brockville

Ottawa-Carleton Regional Office  
1729 Bank Street, Ottawa

Renfrew Regional Office  
24 Pembroke Street W., Pembroke

Frontenac-Lennox-Addington Regional Office  
1055 Princess Street, Kingston

Hastings-Northumberland and Durham Regional Office  
80 Division Street, Trenton

Haliburton-Peterborough-Victoria Regional Office  
33 Lindsay Street S., Lindsay

#### Central Ontario Office 2450 Victoria Park Ave., Willowdale

City of Toronto Regional Office  
2221 Yonge Street, Toronto

North York Regional Office  
55 Doncaster, Thornhill

Scarborough-East York Regional Office  
7 Overlea Boulevard, Toronto

Etobicoke-York Regional Office  
4 Eva Road, Etobicoke

Ontario Regional Office  
605 Rossland Road E., Whitby

York Regional Office  
460 Oak Street, Newmarket

Halton-Peel Regional Office  
55 City Centre Drive, Mississauga

Simcoe Regional Office  
109 Ferris Lane, Barrie

Muskoka Regional Office  
Hwy. 11 & Pine Street E., Bracebridge

#### Western Ontario Area Office 14 Holiday Inn Drive, Brantford

Niagara Regional Office  
43 Church St., Landmark Bldg., St. Catharines

Wentworth Regional Office  
447 Main Street E., Hamilton

Brant-Haldimand-Norfolk Regional Office  
63 Charing Cross, Brantford

Waterloo Regional Office  
150 Main Street, Cambridge

Dufferin-Wellington Regional Office  
286 Victoria Road N., Guelph

Elgin-Middlesex-Oxford Regional Office  
Treasure Island Plaza, R.R. 4, London

Huron-Perth Regional Office  
57 Napier Street, Goderich

Bruce-Grey Regional Office  
345 Eighth Street, Owen Sound

Kent-Lambton Regional Office  
435 Grand Avenue W., Chatham

Essex Regional Office  
880 Ouellette Avenue, Windsor

#### Northern Ontario Area Office 1349 Lasalle Boulevard, Sudbury

Nipissing-Parry Sound Regional Office  
1650 Harriet Street, North Bay

Cochrane-Timiskaming Regional Office  
145 Wilson Avenue, Timmins

Manitoulin-Sudbury Regional Office  
1177 Barrydowne Road, Sudbury

Algoma Regional Office  
180 Brock Street, Sault Ste. Marie

Kenora-Rainy River-Thunder Bay Regional Office  
115 Johnson Avenue, Thunder Bay

300 McClellan Avenue, Kenora

Dryden Regional Office  
14 Earl Avenue

Fort Frances Regional Office  
259 Scott Street

## MINISTRY OF REVENUE PROVINCE OF ONTARIO SAVINGS OFFICES

### Aylmer

36 Talbot Street West

### Brantford

136 Dalhousie Street

### Guelph

164 Wyndham Street North

### Hamilton

318 Ottawa Street North  
36 James Street South

### London

353 Richmond Street

### Ottawa

171 Sparks Street

### Owen Sound

825 2nd Avenue East

### Pembroke

40 Pembroke Street

### St. Catharines

106 King Street

### St. Marys

134 Queen Street

### Seaforth

Main Street North

### Toronto

Bay & Adelaide Branch  
328 Bay Street

### Danforth & Fenwick Branch

519 Danforth Avenue

### Danforth & Woodbine Branch

2035 Danforth Avenue

### University & Dundas Branch

223 Dundas Street West

112 St. Clair Avenue West

### Walkerton

236 Durham Street East

### Windsor

372 Ouellette Avenue

### Woodstock

396 Dundas Street



Ministry of Revenue

A Publication of the Ministry of Revenue



Government  
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~~Tax Bulletin~~

June, 1975

# retail sales tax

MINISTRY OF REVENUE

The Honourable Arthur Meen, Q.C.  
Minister

D. A. Crosbie  
Deputy Minister

Queen's Park, Toronto

Bulletin 75-3

The previous Retail Sales Tax Bulletin No. 75-1 outlined changes in the base of The Retail Sales Tax Act as a result of the budget statement of April 7, 1975. This bulletin contains further information concerning these changes together with clarification with respect to some previously existing provisions.

Readers are reminded that reference should be made to the legislation and regulations and information may be obtained from the Retail Sales Tax District Offices as listed on page 6 of this bulletin.

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### MACHINERY AND EQUIPMENT PURCHASE EXEMPTION CERTIFICATES

For the convenience of persons purchasing or renting production or construction machinery and equipment during the temporary exemption period, the following forms of certificates are prescribed for use:

**RST GV4**—as reproduced in Bulletin 75-1 for either the purchase or rental of production or construction machinery or equipment.

**RST GV5**—as reproduced in this Bulletin for recurring rentals of either production or construction machinery or equipment.

**Short Form Certificate**—as reproduced in this Bulletin to be made by rubber stamp impression

on either purchase orders or rental agreements for production or construction machinery or equipment.

General rules with respect to the three certificates are that:

1. They must always be signed by both vendor and purchaser and
2. they must be retained until destruction is authorized by the Retail Sales Tax Branch.

It should be noted that only one copy of form RST GV5 is to be completed and retained by the vendor for rentals of construction or production machinery.



## ORDERS AND ORDER DATES FOR PRODUCTION OR CONSTRUCTION MACHINERY OR EQUIPMENT

Under the amended legislation, one of the conditions which establish eligibility for the temporary exemption for machinery or equipment is that the contract must be made between April 8, 1975 and December 31, 1976, both inclusive.

In this context the term "contract" includes written or verbal orders for the purchase or rental of machinery and equipment that commit the parties to the transaction.

Machinery or equipment for which a firm order was placed prior to April 8, 1975 is not exempt even though the order was confirmed or was acknowledged or the goods were delivered subsequent to that date.

It has been brought to the attention of The Ministry that some contracts may have been can-

celled or are at risk of being cancelled solely for the purpose of qualifying for exemption. Similarly it has been suggested that suppliers of machinery and equipment may be subjected to pressure to concur in the falsification of order dates.

The Ministry of Revenue will, in order to discourage such practices, make every effort to ensure through audit procedures, augmented by whatever further information, statements under oath or other actions considered necessary, that the provisions of the legislation are adhered to.

Section 5(1)49(f) of the legislation specifically excludes machinery or equipment contracts made for the purpose of obtaining the exemption in substitution for or as the result of the cancellation of substantially similar contracts.



## PRODUCTION MACHINERY AND EQUIPMENT MANUFACTURED FOR OWN USE

Tax Bulletin 75-1 also contained details of conditions for exemption of production machinery and equipment manufactured for own use as follows:

(a) Where manufacture of a unit of machinery or equipment for own use is commenced prior to April 8, 1975 and the unit is completed on or before December 31, 1975, tax must be accounted for at the rate of 5% on the manufactured cost at the time of completion of the unit.

Where manufacture of a unit of machinery or equipment for own use is commenced on or after April 8, 1975 and before December 31, 1976 and the unit is completed on or before December 31, 1977, the unit is exempt of

tax. The person manufacturing machinery and equipment for own use of a value exceeding \$15,000.00 must file with the local District Retail Sales Tax Office in writing a description of the machinery and equipment manufactured and the date of commencement of manufacture.

For the purposes of these instructions the effective date for determining exemption is the date any written or oral direction for the manufacture was given by the management of an organization or the actual date of commencement of manufacture, whichever first occurs.

The same instructions apply where construction machinery and equipment is produced by an organization for its own use.

## REPAIR AND MAINTENANCE PARTS FOR PRODUCTION OR CONSTRUCTION MACHINERY OR EQUIPMENT

The temporary exemption for machinery and equipment does not extend to general repair and maintenance parts for such items and tax must be paid on all parts at the time of acquisition except if acquired as part of original equipment.

However, if work is performed on an existing unit of machinery or equipment that modifies it in such a manner as to change its original function or to increase its output or capacity beyond the unit's former operating level, the tax paid on the parts used in such modification may be rebated. The rebate application must be submitted within two years of

payment of the tax and must contain full supporting details.

It should be noted that the previous exemption still applies for dies, jigs, product-holding fixtures, moulds and patterns for any of them, tools attached to production machinery, explosives and refractory materials expended or used up in the process of manufacturing tangible personal property. These items are defined in Section 1 of Regulation 784 and may be purchased exempt from tax on the issue of a regular purchase exemption certificate and there is no limitation with respect to order date or delivery.



## PIPES, VALVES AND FITTINGS USED AS PRODUCTION MACHINERY

The following items are *not* exempt when used in the general repair or maintenance of production machinery or equipment or when used in the construction, repair or alteration of building service facilities:

- pipe, pipe fittings and valves
- hose and hose fittings
- tubing and tubing fittings
- electrical wire and fittings
- electrical cable and fittings
- electrical conduit and fittings

However, the items are exempt when incorporated into new machinery or equipment on original fabrication or when used in the modification of existing machinery or equipment to change its

function or output as distinct from general repair and maintenance, provided such machinery or equipment is entitled to an exemption under Section 5(1)49 of the Act.

When, at the time of purchase, it is known the items will be used in the original fabrication of exempt machinery or equipment, a Machinery and Equipment Purchase Exemption Certificate may be issued and the purchase made exempt of tax.

In all other instances tax must be paid at the time of purchase or, in the case of "G" permit holders, remitted with their next return. If it is subsequently established that the items have been put to an exempt use, a claim for refund may be filed within two years of the date of payment of the tax.



## PURCHASE AND INSTALLATION OF PRODUCTION MACHINERY BY CONTRACTORS AND MANUFACTURERS

The temporary exemption for production machinery is subject to date of order or contract, issuance of special purchase exemption certificates, delivery and the filing of unfilled order copies as outlined in Tax Bulletin 75-1.

The requirements are straight-forward where the transaction is between a manufacturer purchasing machinery for his own use and the supplier of the machinery.

However, there may be problems where a manufacturer acquires machinery under a general contract involving a contractor or a number of contractors any one of whom may make the actual purchase of the machinery as tangible personal property from the supplier. In most instances the contractor will in these circumstances install the tangible personal property as a fixture.

The exemption for production or construction machinery and equipment is phrased in Section 5(1)49 of the Act so as to provide exemption not only to a manufacturer himself, but to other persons who are acquiring production machinery for use by the manufacturer in the production of goods—that is to say, purchases by contractors for incorporation into fixtures for use by the manufacturer as production machinery. The contractor thus can purchase

the machinery exempt, notwithstanding the fact he is technically the consumer of it when he installs it as a fixture.

The manufacturer is the only person who knows how the machinery and equipment will be used and what its tax status will be. Initially, the exemption is governed by the date of order or contract for the machinery and under these circumstances it is the date of the original contract or order issued by the manufacturer who will use the machinery in a manufacturing process which governs. It follows that if the contract or order is placed by the manufacturer prior to April 8, 1975, no exemption is available irrespective of when the contractor, or subcontractor, places his order for the machinery with his supplier. The contractor or subcontractor may *not* issue a special purchase exemption certificate and *must* pay tax on the machinery in these situations.

If the contract or order issued by the manufacturer is dated after April 7, 1975 and on or before December 31, 1976, exemption is available subject to the other conditions for exemption. To gain the exemption, the manufacturer *must* give the contractor a special exemption certificate. The contractor, in turn, must give a special purchase exemption certificate to his supplier and thereby purchase exempt.



## CONTRACTORS WHO ERECT, REMODEL OR REPAIR FEDERAL BUILDINGS OR STRUCTURES

When tendering on buildings or structures owned by the Federal Government or any of its departments, corporations, commissions or other agencies, general contractors and subcontractors must include Ontario retail sales tax in their material costs when calculating bid prices, notwithstanding any vesting clause contained in the contract. Purchase exemption certifi-

cates must not be used to claim an exemption in these circumstances.

If further details are required, a separate release entitled "Notice to Contractors who Perform Federal Government Construction Contracts" is available from your local District Office.



## RULING 3—REAL PROPERTY FIXTURES

The ruling has been modified. The significant change in it concerns the meaning of a "fixture" which has a major effect on contractors who supply and install machinery and equipment. In many instances machinery and equipment becomes real property once installed.

The term "fixture" means a chattel or other personal property which, after installation, is firmly attached to land, buildings or structures in a permanent position.

The term "contractor" as used in Ruling 3 includes construction, electrical, plumbing, heating, mechanical contractors and subcontractors and all other persons who erect, alter, or repair buildings or structures or who install or repair fixtures.

Contractors installing or repairing production machinery and contractors or owners installing and repairing hydro electric and telephone lines, street signs, parking meters, traffic signals, lighting, floor

coverings, bowling alleys, service station and car wash operations should note the instructions in the modified ruling in relation to such activities. These involve the installation of objects which once installed, are fixtures.

The revised ruling will be available shortly covering in detail the subjects mentioned. In addition, note that production machinery in the "fixture" category may require special treatment for tax purposes, depending on whether or not the temporary exemption for production machinery applies. (See separate item in the bulletin with regard to the purchase and installation of production machinery by contractors for manufacturers.) This also is covered in the revised ruling.

Fixtures that are rented separately from the real property to which they are affixed are defined as tangible personal property and subject to retail sales tax on the rentals charged.



## AMERICAN PLAN ACCOMMODATION

In view of the temporary reduction in the tax rate to 5% between April 8, 1975 and December 31, 1975, the effective rates of tax to be collected by American Plan hotels and lodges are as follows—

- (a) 2%—where the weekly charge to a guest is not greater than \$110.00 or the daily charge is not greater than \$16.00 or
- (b) 4%—where the weekly charge is greater than \$110.00 or the daily charge is greater than \$16.00.



## ALTERATIONS TO GARMENTS

### *Fur Garments:*

Previously, a furrier who repaired and/or restyled a fur garment and charged \$100 or more for his services was required to collect retail sales tax on the full amount. If the charge was under \$100 it was considered a repair operation and he was required to collect tax only on his charge for the materials if such were segregated.

The \$100 amount is now raised to \$250. The other requirements remain unchanged.



## CLAIMS FOR REFUND OF OVERPAYMENT OF TAX

Tax Bulletin 75-1 contained the announcement that effective April 8, 1975, refunds with respect to overpayments of tax will not be made unless the application for such refund is filed with the Minister of Revenue within two years of the date of overpayment. The Bulletin also mentioned that the Minister may, under extenuating circumstances, extend the time for filing by not more than six months.

An extension of up to six months will be considered only if the following information is submitted with the request for extension:

1. The estimated amount of the claim.
2. A general description of the areas in which the overpayment occurred.
3. An explanation of why the full particulars of the claim cannot be furnished in the proper time within the two year period.

### *Other Than Fur Garments:*

Previously no tax was collectable when alterations were made to new or used clothing other than fur garments if the charge for the alterations was shown separately and was less than \$15. If the charge, including labour, was \$15 or more tax was required to be collected on the total charge.

The \$15 is now raised to \$35. The other requirements remain unchanged.

### 4. The period covered by the claim.

### 5. Anticipated date of submission of claim.

The request for extension containing the above information must be received by the Minister within two years of the date of any overpayment to be included in the claim.

Claims filed prior to April 8, 1975 are subject to special conditions and claimants will be informed of the status of any such claims in the near future.

It should be noted that the Ministry of Revenue is no longer empowered under The Retail Sales Tax Act to make refunds which exceed beyond the above limits and which are filed subsequent to April 8, 1975 no matter how deserving of consideration such claims may be.

**EXEMPTION CERTIFICATE FOR RENTALS OF PRODUCTION/  
CONSTRUCTION MACHINERY AND EQUIPMENT**

**NOTE:** For recurring rental agreements between the same persons, it is necessary to complete this certificate only once and the instructions at the bottom should be read before completing it.

**TO BE COMPLETED BY THE LESSEE (THE PERSON TO WHOM THE EQUIPMENT IS BEING RENTED)**

Under Paragraph 49 of Subsection 1 of Section 5 of The Retail Sales Tax Act, exemption is hereby claimed from tax on the rentals of the following types of *production* or *construction* machinery and equipment:

..... Print or Type

Lessee's Name ..... Print or Type

Lessee's Address ..... Print or Type

Date of Issue ..... Signature of Lessee or Authorized Official

**TO BE COMPLETED BY THE LESSOR (THE OWNER OF THE EQUIPMENT)**

Lessor's Name ..... Print or Type

Lessor's Address ..... Print or Type

I/We certify that all contract(s) for rental(s) of machinery and equipment for which exemption from tax is claimed under this certificate are entered into after April 7, 1975 and the original cost to me of each separate item of any *construction* machinery and equipment listed above was not less than \$500.00.

..... Signature of Lessor or Authorized Official

**INSTRUCTIONS**

This certificate is valid only with respect to rental periods between April 8, 1975 and December 31, 1976, both inclusive, provided the rental contracts were entered into after April 7, 1975, and the original cost to the owner of each separate item of any *construction* machinery and equipment rented was not less than \$500.00.

This certificate must be completed and forwarded to the owner of *production* and *construction* machinery and equipment (lessor) by the person renting such *production* and *construction* machinery and equipment (lessee). The lessor must complete the certificate and retain it until its destruction has been authorized by the Retail Sales Tax Branch.

Lessees are required to forward only one certificate to each lessor for the rental of all exempt *production* and *construction* machinery and equipment rented for periods between April 8, 1975 and December 31, 1976, both inclusive.

**ONTARIO RETAIL SALES TAX  
MACHINERY AND EQUIPMENT PURCHASE EXEMPTION CERTIFICATE  
(SHORT FORM)**

I/We certify that the items herein are being purchased/rented tax-exempt under Section 5(1)49 of The Retail Sales Tax Act.

Date ..... Signature of Purchaser or Authorized Official

I/We certify the date of the original order was ..... Signature of Vendor or Authorized Official

..... Signature of Vendor or Authorized Official



## MOBILE HOMES

Sales of mobile homes may be either sales of tangible personal property or sales of real property depending on the circumstances prevailing at the time of sale:

### *Tangible personal property*

If a dealer sells a mobile home in a mobile condition and not set up or connected to services on the customer's site, it is a sale of tangible personal property and, as such, tax applies on the total selling price to the customer. The dealer's invoice to the customer must show the retail sales tax charged on the selling price as a separate item.

### *Real Property*

When a dealer sets up a mobile home on the customer's site and connects it to services as a condition of the sale, it is a sale of real property. In this case tax does not apply on the dealer's selling price to the customer but must be calculated and paid by the dealer on his cost of the home and the materials used in setting it up. The dealer's selling price will therefore reflect his costs of the home including the tax payable by him and there should be no further retail sales tax payable by the customer.

As is apparent from the foregoing, the tax component of the total price paid by the customer is reduced when the home is set up by the dealer.

## DISTRICT OFFICES

<i>District Office</i>	<i>District Office Director</i>	<i>Location Telephone Number</i>	<i>Area Covered: (Counties, Districts or Regional Municipalities)</i>
Belleville K8N 1E3	W. A. Wormington	208 Dundas St. E. 962-9108	Frontenac, Northumberland, Lennox and Addington Durham, Peterborough, Haliburton, Hastings Prince Edward, Victoria
Hamilton L8P 1B4	J. G. M. Coll	361 King St. W. 528-8393	Halton, Peel, Wentworth, Brant
Kitchener N2G 1G1	G. W. Prowse	824 King St. W. 4th Floor 744-6318	Huron, Perth, Waterloo, Wellington
London N5W 3B9	P. J. Bruyea	1472 Dundas St. E. 451-3000	Elgin, Lambton, Oxford, Middlesex
North Bay P1B 2H3	G. J. Picard	1500 Fisher St. Northgate Plaza 474-4900	Cochrane, Nipissing, Parry Sound, Temiskaming
Orillia L3V 6K5	R. L. Connell	19 Front St. N. P.O. Box 670 326-3519	Muskoka, Simcoe, Bruce, Dufferin, Grey
Ottawa K1Z 7L7	J. M. Sabourin	Hampton Park Plaza 1419 Carling Ave. 728-5887	Regional Municipality of Ottawa-Carleton, Prescott, Leeds, Lanark, Russell, Stormont, Renfrew, Dundas, Glengarry, Grenville
Sudbury P3A 1Z7	W. E. Hyder	1536 LaSalle Blvd. 674-3151	Algoma, Manitoulin, Sudbury
Thunder Bay P7C 5G6	C. H. Westerback	435 James St. S. P.O. Box 5000 475-1681	Kenora, Rainy River, Thunder Bay
Toronto M4P 1H6	A. C. Keefe	85 Eglinton Ave. E. 487-7161	Regional Municipality of York; Ontario
Waterloo N3B 3Z7	C. H. Himes	76 Division St 732-1318 (In St. Catharines and Niagara Falls, call 688-1360 or 688-1368)	Regional Municipality of Niagara, Haldimand and Norfolk
Windsor N9A 1A8	S. J. Howard	374 Ouellette Ave. 252-4405	Kent, Essex



A Publication of the Ministry of Revenue

Government Publications

Tax Bulletin  
September, 1975

# retail sales tax

MINISTRY OF REVENUE

The Honourable Arthur Meen, Q.C.  
Minister

T. M. Russell  
Deputy Minister

Queen's Park, Toronto

Bulletin 75-SP3

## ONTARIO NEW AUTOMOBILE BUYER'S REBATE FOR PASSENGER AUTOMOBILES

Retail Sales Tax Bulletin 75-SP2 issued early in August contained information on the "Ontario New Automobile Buyer's Rebate for Passenger Automobiles". As announced in that Bulletin there are now *three* basic categories of new passenger automobiles and station wagons eligible for rebate if registered between July 7, 1975 and December 31, 1975, both inclusive, subject to certain restrictions. The eligible automobiles in each category are as follows:

### 1. NORTH AMERICAN AUTOMOBILES

(a) new passenger automobiles having a seating capacity of not more than 10 persons *except* the following automobiles with an engine displacement of 460 cu. in. or larger:

Lincoln Continental	Cadillac De Ville
Lincoln MK IV	Cadillac Fleetwood
Ford Thunderbird	Cadillac Eldorado
Cadillac Calais	

(b) new passenger station wagons having a seating capacity of not more than 10 persons regardless of engine size.

### 2. IMPORTED AUTOMOBILES AND AUTOMOBILES ASSEMBLED FROM IMPORTED PARTS

(a) new passenger automobiles having a seating capacity of not more than 10 persons *except* the following automobiles or any others with an engine displacement of 270 cu. in. or larger.

Aston Martin V8	Maserati Khamsin	Rolls-Royce Silver Shadow
Jaguar XJ 12C	Mercedes-Benz 450 SE	Rolls-Royce Corniche Coupe
Jaguar XJ 12L	Mercedes-Benz 450 SEL	Rolls-Royce Corniche Convertible
Jensen Interceptor	Mercedes-Benz 450 SL	Rolls Royce Camargue
Maserati Bora	Mercedes-Benz 450 SLC	

(b) new passenger station wagons having a seating capacity of not more than 10 persons regardless of engine size.

### 3. DEMONSTRATORS

- (a) New passenger automobiles eligible in categories 1 and 2 subject to the exclusions therefrom and that have been licensed in a dealer's name and used by him or his employees for company business.
- (b) New passenger station wagons eligible in categories 1 and 2 that have been licensed in a dealer's name and used by him or his employees for company business.

#### Automobiles Used by Manufacturers

Automobile manufacturers and importing agencies other than dealers make use of their own inventory units from time to time. These units are driven by executives, field personnel or other company employees and are generally used on a relatively low mileage, short term basis. The vehicles may be used solely at company expense or leased to employees by the company. In either case, the cars are disposed of through the company dealer organization. An eligible automobile handled in this manner qualifies for rebate under the program as a "demonstrator" subject to all the provisions of the program. Claims will be submitted in the routine way through the dealer for this sale at retail.

#### Special Instructions re demonstrators

... when preparing claim forms covering eligible vehicles in the "demonstrator" category, dealers must modify the wording in section 5 to read as follows by adding "except as a demonstrator as described in Bulletin 75-SP3":

##### Certificate of Dealer

"I hereby certify that I am a duly authorized official of the dealer and that the information submitted herein is true and correct and that the automobile named herein is new and has not been used, *except as a demonstrator as described in Retail Sales Tax Bulletin 75-SP3.*"

... Dealers are reminded of the disclosure provisions of the Motor Vehicle Dealers Act.

... The making of a false statement of any kind in the claim form and certificate is a contravention of The Retail Sales Tax Act.

... Claims for demonstrators without the special certification will be returned.

### VEHICLES NOT ELIGIBLE FOR REBATE

In addition to the automobiles specifically mentioned above the following vehicles are *not* eligible for the rebate:

- Vans of any description, such as Maxivans, Econolines, Volkswagen vans and Vanduras
- Ambulances and hearses
- Buses
- Trucks of all kinds including pick-ups
- Sport and work vehicles such as jeeps, all-terrain vehicles, dune buggies and similar vehicles
- Leased or rented vehicles
- Numerous queries have been received concerning the following and similar vehicles. *None* of them are eligible, however used:

Astre Panel	Jimmy	Sportsman Wagon
Blazer	Land Cruiser	Sportvan
Bronco	Land Rover	Suburban
CJ5 Jeep	Rally Wagon	The Thing
Cherokee	Ramcharger	Travelall
Club Wagon	Ranchero	Vega Panel
Courier	Scout	Wagoneer
El Camino	Sprint	

Dealers should *not* submit claims covering these units as they will be rejected. *Also please ensure that your salesmen are familiar with the details of eligible and ineligible vehicles and follow the rules of the program explicitly to facilitate the processing of claims for your customers.*

#### General:

Dealers — when completing claim forms with your customer, please ensure all details are filled in fully and accurately. Retain a copy for your records, give the customer his copy for his records and send in the Retail Sales Tax copy for processing. Be sure to cover these with the required transmittal notice.

Additional supplies of forms are available from your local Retail Sales Tax Office.



A Publication of the Ministry of Revenue

Tax Bulletin  
December 1975

# retail sales tax

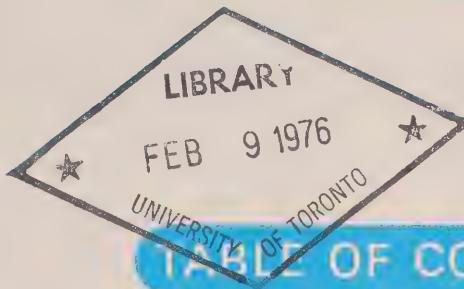
MINISTRY OF REVENUE

The Honourable Arthur Meen, Q.C.  
Minister

T. M. Russell  
Deputy Minister

Bulletin 75-4

Queen's Park, Toronto



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### MAIL STRIKE

We would like to express our thanks for the excellent co-operation extended to us by vendors in making their returns under the difficult conditions experienced during the mail strike.

As you will note from the listing of subjects in the Table of Contents, this bulletin covers a wide range of subjects. However, we draw your attention particularly to the reference to the change in rate from 5% to 7% which is effective January 1, 1976. It is discussed in some detail on page 2. Please make careful reference to it.



## CHANGE IN RATE JANUARY 1, 1976 5% TO 7%

As announced in the April Budget, the temporary reduction in Retail Sales Tax rate ends December 31, 1975. The 7% rate again comes into effect January 1, 1976.

Most sales will clearly fall in the 5% period or the 7% period. However, in the last few days of selling in December particularly, the situation may not be as clear. The following guidelines will cover most cases and should be carefully reviewed.

1. If a particular item is purchased before January 1, 1976 and it is the exact one the purchaser will eventually take delivery of, tax is to be charged at the rate of 5%, regardless of delivery date.
2. If an item is selected before January 1, 1976 from a sample or catalog with delivery made from general inventory on or after January 1, 1976, tax is payable at 7%.
3. If a purchase is made before January 1, 1976 and that particular item is laid away by the vendor for future delivery, tax is payable at 5%.
4. If goods are purchased before January 1, 1976 for delivery by mail and are deposited with the post office before January 1, 1976, tax is payable at 5%.
5. Goods shipped F.O.B. supply point (whether in or out of Ontario) and placed on board before January 1, 1976 are taxable at the rate of 5%. Goods shipped F.O.B. destination and received by the purchaser on or after January 1, 1976 are taxable at 7%.

If you have queries on these or similar situations contact your local Retail Sales Tax Office.

For 7% Tax Rate Schedules, see last page.

On this basis, if the manufacturer can identify and invoice specific components and pass title to them to the customer, both in the 5% period, 5% tax is to be charged, irrespective of final delivery date. The particular component must be individually invoiced so as to be identifiable and the invoice must show the specific dollar sales price of the component.



## TEMPORARY EXEMPTION FOR PRODUCTION MACHINERY AND EQUIPMENT

Effective April 8, 1975 to December 31, 1977 inclusive

(Subject to order and delivery dates below)

Tax Bulletin 75-1 and 75-3 laid out the basic terms of the temporary exemption for production machinery and equipment introduced April 8, 1975. These have been expanded slightly for added clarity and we repeat the terms and conditions in their entirety. Additions are marked with an asterisk.

### CONDITIONS:

Production machinery and equipment used principally in the production of tangible personal property, will be exempt from the tax for the period commencing April 8, 1975 and ending December 31, 1977 upon the conditions that:

- (a) the order for such machinery has been placed between April 8, 1975 and December 31, 1976 inclusive; and
- (b) with respect to such order a special form of purchase exemption certificate (see page 4) certifying the date of the order is signed by both purchaser and supplier; and
- (c) the delivery takes place on or before December 31, 1977; and
- (d) if delivery is to be made in the 1977 calendar year, the purchaser files with the local District Retail Sales Tax Office on or before December 31, 1976 a copy of each unfilled order which exceeds \$15,000; and
- (e) any contract for the purchase or rental of machinery or equipment which is cancelled and renegotiated primarily for the purpose of qualifying for tax exemption will not so qualify.

### EXEMPT MACHINERY AND EQUIPMENT:

The exempt production machinery and equipment, subject to the exclusions noted in clauses (1) to (9) below, is:

- (a) machinery and equipment used in the
  - (i) manufacture or production of tangible personal property for sale or use by manufacturers or producers;
  - (ii) research and development of other production machinery and equipment by manufacturers or producers;
  - (iii) research and development of products by manufacturers or producers;
  - (iv) quality control of goods in process;
- (b) unlicensed vehicles used in mining, logging, quarrying and manufacturing;
- (c) logging machinery and equipment;
- (d) machinery and equipment used in the exploration, discovery or development of petroleum, natural gas or minerals;
- (e) closed circuit television equipment and other control equipment used exclusively for the



## AUTOMOBILE DEALERS

We particularly draw your attention to the guidelines set out in the preceding item, "Change in Rate—January 1, 1976".

These guidelines apply in determining the rate to be charged on motor vehicles as well as other items of tangible personal property and must be considered in establishing the tax to be charged.

Please note that for purposes of the Ontario New Automobile Buyer's Rebate Program, the sole time criterion for rebate is the date of registration, i.e. the registration must have been made between July 8, 1975 and December 31, 1975, both dates inclusive.



## MANUFACTURERS—GOODS IN PROCESS—RATE CHANGE

Many manufacturers of large special order items have questioned us on the rate to be applied where the units are partially completed as of December 31, 1975. Specifically involved are non production items or production items not eligible for the temporary production machinery exemption.

The basic rule under these circumstances is that sales made in the 5% period can be taxed at 5% and sales made in the 7% period must be taxed at 7%.

- control and supervision of machinery and equipment in industrial processes;
- (f) tanks, bins and silos in which materials are undergoing a process of manufacture, kilns and blast furnaces;
- (g) systems, including smoke stacks and smoke abatement equipment, for exhausting dust and noxious fumes from manufacturing processes;
- (h) machinery and equipment used in the detection, measurement, prevention, treatment, reduction or removal of pollutants to water, soil or air attributable to the manufacture or production of tangible personal property;
- (i) equipment used in carrying refuse or waste from machinery and equipment used by manufacturers in the production of tangible personal property;
- \*(j) material handling equipment such as conveyors and fork lift trucks used by manufacturers or producers on the manufacturing premises if such equipment is used principally to move tangible personal property
  - (i) directly into the manufacturing or production process, or
  - (ii) directly through the manufacturing or production process, or
  - (iii) directly from the manufacturing or production process;
- (k) equipment such as air conditioning and humidifying equipment used by a manufacturer or producer for use in controlling temperature and moisture content of materials being processed or for controlling the temperature of production equipment;
- \*(l) boiler or steam generating equipment to produce steam that is required for processing operations or for operating production equipment.

#### ITEMS NOT EXEMPT:

Items such as the following are **not** included in the exemption:

- (1a) machinery and equipment ordered before April 8, 1975;
- (a) machinery and equipment used by a person who does not manufacture or produce tangible personal property of a value exceeding \$5,000 per annum;
- (b) office equipment and furniture and office supplies for use in offices or manufacturing plants;
- (c) boats, aircraft and licensed vehicles;
- (d) footings for machinery and equipment or catwalks, unless such catwalks are attached to production machinery and equipment;
- (e) rails and track materials and bins, tanks, silos, racks, shelving and other facilities permanently attached to real property used for storage of materials on or off the premises of the manufacturer;
- (f) parts for general repair and maintenance of production machinery and equipment;
- (g) tools and equipment used to repair or service machinery, equipment and facilities;
- (h) machinery and equipment used by manufacturers and producers in loading, unloading and warehousing areas;

- \*(i) material handling equipment such as conveyors and fork lift trucks used primarily to move tangible personal property
  - (i) into raw materials storage or stockpile, or
  - (ii) from one storage area to another storage area, or
  - (iii) from a finished goods storage or warehouse area to outgoing transportation facilities, or
  - (iv) between separate factories not located on the same premises;
- \*(j) equipment used to provide a taxable service.



#### ORDERS AND ORDER DATES FOR PRODUCTION OR CONSTRUCTION MACHINERY OR EQUIPMENT

Under the amended legislation, one of the conditions which establish eligibility for the temporary exemption for machinery or equipment is that the contract must be made between April 8, 1975 and December 31, 1976, both inclusive.

In this context the term "contract" includes written or verbal orders for the purchase or rental of machinery and equipment that commit the parties to the transaction.

Machinery or equipment for which a firm order was placed prior to April 8, 1975 is not exempt even though the order was confirmed or was acknowledged or the goods were delivered subsequent to that date.



#### PRODUCTION MACHINERY AND EQUIPMENT MANUFACTURED FOR OWN USE

Tax Bulletin 75-1 also contained details of conditions for exemption of production machinery and equipment manufactured for own use as follows:

- (a) Where manufacture of a unit of machinery or equipment for own use is commenced prior to April 8, 1975 and the unit is completed between April 7, 1975 and January 1, 1976, tax must be accounted for at the rate of 5% on the manufactured cost, at the time of completion of the unit.
- (b) Where manufacture of a unit of machinery or equipment for own use is commenced on or after April 8, 1975 and on or before December 31, 1976 and the unit is completed on or before December 31, 1977, the unit is exempt of tax. The person manufacturing machinery and equipment for own use of a value exceeding \$15,000.00 must file, on or before December 31, 1976, with the local District Retail Sales Tax Office in writing a description of the machinery and equipment being manufactured and the date of commencement of manufacture.

For the purposes of these instructions the effective date for determining exemption is the date any written or oral direction for the manufacture was given by the management of an organization or the actual date of commencement of manufacture, whichever first occurs.

The same instructions apply where construction machinery and equipment is produced by an organization for its own use.



## REPAIR AND MAINTENANCE PARTS FOR PRODUCTION MACHINERY OR EQUIPMENT

The temporary exemption for machinery and equipment does not extend to general repair and maintenance parts for such items and tax must be paid on all parts at the time of acquisition except if acquired as part of original equipment.

However, if work is performed on an existing unit of machinery or equipment that modifies it in such a manner as to change its original function or to increase its output or capacity beyond the unit's former operating level, the tax paid on the parts used in such modification may be rebated. The rebate application must be submitted within two years of payment of the tax and must contain full supporting details.

It should be noted that the previous exemption still applies for dies, jigs, product-holding fixtures, moulds and patterns for any of them, tools attached to production machinery, explosives and refractory materials expended or used up in the process of manufacturing tangible personal property. These items are defined in Section 1 of Regulation 784 and may be purchased exempt from tax on the issue of a regular purchase exemption certificate and there is no limitation with respect to order date or delivery.

## Rentals of Production Machinery and Equipment:

The application of tax to rentals will be governed by the following:

- (a) Rental contracts for production machinery and equipment, entered into prior to April 8, 1975 and continuing after April 7, 1975 are taxable at the rate of 7% on charges covering rental periods up to April 7, 1975 and at the rate of 5% on charges for rental periods from April 8, 1975 to December 31, 1975, both inclusive.
- (b) Rental contracts for production machinery and equipment entered into during the period from April 8, 1975 to December 31, 1976, both inclusive, are exempt of tax with regard to rental charges for that period.

For specific details, consult the Director of your local Retail Sales Tax District Office. Note that the guidelines for the temporary exemption for construction machinery remain substantially as outlined in Tax Bulletin 75-1 and have not been repeated here.



## SPECIAL PRODUCTION AND CONSTRUCTION MACHINERY AND EQUIPMENT PURCHASE EXEMPTION CERTIFICATES

A number of conditions surround the temporary exemption for production and construction machinery and equipment and all of the conditions must be met before the exemption can be gained.

One of the conditions is that to gain exemption on eligible production or construction machinery, the purchaser must issue a special "Machinery and Equipment Purchase Exemption Certificate" in duplicate properly certified by both he and the supplier. The supplier is required to retain the original for his records (and future audit) and to return the duplicate to the purchaser for his records (and future audit).

The special forms are available from your local Retail Sales Tax District Office and must be used by all purchasers claiming exemption on production or construction machinery including holders of "G" permits.

Note that separate forms are available for recurring rentals of production or construction machinery and there is also a prescribed short form which may be reproduced as a rubber stamp for imprint on purchase orders. Your local office will also be glad to help you with the details of these.



## PURCHASE EXEMPTION CERTIFICATES

Purchasers from time to time report a reluctance on the part of suppliers to sell certain items exempt, even when the purchaser has given a valid purchase exemption certificate. Provided the seller does receive and retain the certificate, he is relieved of all responsibility for charging tax on the tangible personal property covered by the certificate. The purchaser has assumed that responsibility by issuing the certificate.



## REFUSALS TO PAY TAX

From time to time, vendors are faced with a customer who refuses to pay tax when invoiced for it. Because the purchaser is always liable for the tax until it is collected, under these circumstances the Branch will undertake the collection directly from the customer provided the vendor notifies it within twenty days of receiving the refusal. The vendor should obtain the refusal in writing and submit all details.



## REFUND AND REBATE LIMITATIONS

Effective April 8, 1975, refunds with respect to overpayment of tax will not be made unless the application for such refunds is filed with the Minister of Revenue within two years of the date of overpayment.

If details are required concerning any particular case, contact the Director of your local Retail Sales Tax Office.



## AUDIT LIMITATIONS

Effective April 8, 1975 an amendment to the Retail Sales Tax Act was introduced limiting the period of assessment or reassessment of any tax collectable by a vendor or payable by a purchaser to three years. This means in general that no such tax which became collectable or payable more than three years prior to the date of the assessment notice can be included in the assessment.

There is a provision, however, that where the Minister establishes that any vendor or purchaser has made any misrepresentation that is attributable to neglect, carelessness or wilful default, or has committed any fraud, in making a return or in supplying any information, then the Minister may assess or reassess tax imposed by this Act at any time he considers reasonable.



## VESSELS—500 TONS OR LESS

Effective April 8, 1975 a new exemption was introduced under the Retail Sales Tax Act and reads as follows:

"vessels, as defined by the Minister that do not exceed 500 tons gross and that are operated for commercial purposes, repairs to such vessels, and machinery or equipment purchased to refit such vessels."

The definition is in the following words:

"Vessels", as used in paragraph 66 of subsection 1 of the said section 5, means vessels used exclusively to provide regularly scheduled transportation services to the general public and tugboats and barges used for commercial purposes.



## FOOTWEAR

There is an exemption for boots, shoes and other footwear sold at a price of \$30.00 or less. The exemption applies to ordinary shoes of whatever style or size, childrens as well as adults, and to ski-boots, skates, running shoes, football boots and even ballet slippers and overshoes.

It does not apply, however to snow shoes, skis, swim fins, clamp-on roller skates or similar items, whatever the price.

Note that this exemption was designed to replace the previous special exemption for children's shoes which was withdrawn. Children's shoes priced in excess of \$30.00 are no longer exempt.

While the exemption is quite straightforward, we have been queried on two particular points. We must emphasize that footwear that is priced at \$30.00 or less is totally exempt. However, footwear sold at a price of more than \$30.00 is totally taxable—that is, on the full price, **not** simply on the amount in excess of \$30.00 as some persons have believed.

The other query concerns the application of tax where a trade-in is involved. For example, outgrown skates are often traded in on bigger ones. The rule to follow in these cases is this:

- if the new skates are priced at more than \$30.00, the net trading difference is taxable, even if \$30.00 or under.
- if the new skates are priced at \$30.00 or less, the net trading difference is exempt.



## TV CONVERTERS

A number of organizations supplying cable TV services, as well as others, now rent or sell "TV converters" to their customers or the public.

We must remind them that tax applies to the periodic rental charge or to the selling price as the case may be and must be collected and remitted by the lessor or the seller.



## TAX ON ADVANCE SALES OF PRICES OF ADMISSION

Theatre groups often sell a subscription series of admissions to plays or other shows. In the same way, season tickets are sold in advance for football games, hockey games and other such activities.

Tax on the price of admission is due at the time the tickets are issued, irrespective of time of payment.



## FEDERAL GOVERNMENT CONTRACTS

Contractors and subcontractors sometimes assume that they may purchase building materials tax exempt when the materials are for use in fulfilling contracts or subcontracts for the construction of buildings or other structures for the Federal Government.

This assumption is wrong. Under the Retail Sales Tax Act, the contractor or subcontractor is the consumer of materials and must pay tax as required under the Act.

When tendering on buildings or structures owned by the Federal Government or any of its departments, corporations, commissions or other agencies, general contractors and subcontractors must include Ontario retail sales tax in their material costs when calculating bid prices, notwithstanding any vesting clause contained in the contract. Purchase exemption certificates must not be used to claim an exemption in these circumstances.

If further details are required, a separate release entitled "Notice to Contractors who Perform Federal Government Construction Contracts" is available from your local District Office.



## TAXABLE GOODS

Vendors, as well as consumers, often ask us to provide a list covering both taxable and exempt items. We are sorry that this is not practical because of the tremendous number of items which would have to be included. However, we will prepare specialized lists for specific business categories upon request.

In general, remember that all moveable property is subject to retail sales tax unless it is exempted under section 5 of the Act.

If you would like a copy of the Act, get one from your local Retail Sales Tax Office. Personnel there will be glad to assist with details of the exemptions.



## VENDING MACHINES—SOFT DRINKS AND CHOCOLATE BARS

Soft drinks and candy bars are widely sold through vending machines. In the past, almost invariably, they were sold for 20¢ or less and were thus exempt of sales tax. With rising costs, however, these products and others, are being sold for more than 20¢. In such cases the 7% sales tax applies, whether sales are made through vending machines or across the counter.

Any person making sales in this category through machines must register as a vendor and collect and remit the tax as required.

Since vending machines normally do not accept odd cents, sales will be in total figures such as 25¢,

30¢, 45¢, 75¢ and so on. Thus the actual selling prices are:

$$\begin{aligned}
 23¢ + 2¢ &= 25¢ \text{ total} \\
 28¢ + 2¢ &= 30¢ \text{ total} \\
 33¢ + 2¢ &= 35¢ \text{ total} \\
 37¢ + 3¢ &= 40¢ \text{ total} \\
 42¢ + 3¢ &= 45¢ \text{ total} \\
 70¢ + 5¢ &= 75¢ \text{ total etc.}
 \end{aligned}$$

These details must be posted on the machine so that it is quite clear to the customer what he is paying both for product and tax.

For complete information consult your district office director.



## TWENTY CENT EXEMPTION

The Retail Sales Tax Act exempts items sold individually at less than 21 cents (except draft beer). For example—a 15 cent chocolate bar. However, the Act requires that tax be charged when, on the same occasion, or as part of one transaction, several items are sold together for a total of 21 cents or more. Two 15 cent soft drinks, for instance, are to be treated as:

Sale price	30 cents
7% × 30 cents	= 2 cents tax
Total	32 cents

The same principle applies when several taxable items are sold with a number of exempt products. The total of taxable items is taxed, even though some of the individual items are priced at less than 21 cents.



## DIABETICS

Needles and syringes used to inject insulin may be purchased by diabetics tax exempt. But there's no exemption for test tablets or tapes, also used by diabetics, unless they're bought under prescription.



## "G" PERMIT HOLDERS

From time to time, enquiries relating to purchases made by "G" permit holders are received. A "G" permit carries the standard eight figures, the same as any other permit, but the numbers are followed by the letter "G".

The holder of such a permit may purchase tangible personal property exempt of tax, merely by inserting his permit number on the purchase order. It isn't necessary for him to provide a purchase exemption certificate. The supplier won't be liable for tax not charged as long as he retains the purchase order with the "G" permit number on it.

Some "G" permit holders purchase items for their own use on a tax paid basis and withhold the "G" permit number from their purchase order. When this happens, the supplier must charge sales tax or he will be held responsible for it.

"G" permit holders who make purchases for own use must remit tax even if the merchandise is to be stored for future use. The time of purchase governs the time tax is payable—not when used.



## GOODS BROUGHT INTO ONTARIO

Many businesses and industries in Ontario import machinery and equipment from other provinces or from other countries.

When such taxable products are brought into the province for an importer's own use, the Ontario sales tax applies. The value for tax purposes is the laid-down cost in Ontario in Canadian funds, including customs duties, sales and excise taxes where applicable and transportation charges when a shipment is made f.o.b. destination.



## OUT-OF-PROVINCE PURCHASERS

Many vendors, especially automobile dealers, make sales to persons who are not residents of Ontario. In most of these cases, the non-residents who buy taxable goods take immediate delivery of them. When this happens, the tax is payable by the purchasers, even if they are buying for resale in some other jurisdiction.

It is important that the Ontario vendor charge sales tax on goods delivered in Ontario unless such transactions are covered by a purchase exemption certificate. But in relatively few instances would non-residents hold Ontario vendor permits authorizing them to issue such certificates.

Vendors should inform purchasers that the retail sales tax will be refunded by the Ontario Government if it is established that the goods were removed from Ontario within 30 days of date of purchase.

Remember that if the goods are shipped out of the province by the vendor, he is not required to charge tax but records must be kept to establish the out of province shipment.



## IDENTIFICATION CARDS

All Retail Sales Tax Branch personnel are provided with identification cards. If anyone should approach you concerning retail sales tax audits or other related confidential matters, we recommend that he be asked to identify himself before you release details to him. If you are contacted by any person claiming to represent the Retail Sales Tax Branch but who cannot properly identify himself, please contact your local retail sales tax district office or the manager, Field Operations, Retail Sales Tax Branch, Head Office, Toronto.



## INFANTS' CLOTHING

Children's clothing up to specific sizes is exempt. Confusion sometimes arises, however, concerning infants' clothing much of which is not sold in size ranges. For example, the following are considered to be exempt infants' clothing:

bibs	bunting	blankets	receiving	blankets
bonnets	diapers			rubber pants
booties				disposable diapers

Ordinary blankets, crib sheets, feeding bottles, safety pins, soothers, teething rings and similar non-clothing items are taxable.

Please note that exemption is provided to a finished article of children's clothing which falls

within specific size ranges. The exemption does **not** apply to purchases of materials and items such as fabrics, wool, yarn, patterns, threads, buttons, etc., used by individuals in making children's clothing.



## FILING RETURNS

Do you find that it's a nuisance at times to have to file a retail sales tax return?

Of course! But if you fail to submit a return, you could be in difficulty with personnel of the Branch.

If you owe tax for the month, you should complete the return and send the Branch a cheque. If no tax is owed it's still your responsibility to complete the return, mark it "nil" and mail it to us. Only in this way can we determine whether or not you owe tax for this period.

In the same general vein, we won't know if you move or sell your business unless you tell us. So, be sure and let us know when there is any change in name, ownership, location, mailing address or other pertinent details. It's to your advantage to do so.

If, for some reason, you haven't received a return card, you should prepare a report anyway. This can be done by forwarding your remittance (if any) with a letter showing the name under which you are doing business. Your mailing address, and, most important of all, your vendor's permit number.



## SALES TO DIPLOMATS

The Ontario government issues special identification cards to members of foreign diplomatic corps, consular offices and trade commissions when they are not engaged in any other occupation in Canada and are not citizens or permanent residents of this country. This is done at the request of the Department of External Affairs, in Ottawa.

These diplomats are entitled to make purchases free of Ontario Retail Sales Tax while serving in Ontario, provided they produce the sales tax identification cards issued to them.

Vendors, however, must insert the name, address and number of the diplomat's identification card on the sales slip or invoice. His signature must also appear on the vendor's copy.

Provided these details are carried out, the Retail Sales Tax Branch will recognize the sale as not taxable.



## NOTICES OF OBJECTION

If you are an Ontario taxpayer who feels strongly about an assessment raised by an audit of your books, you have the right to be heard. This isn't generally known. The procedure involves the filing of an official "Notice of Objection" within 60 days of the mailing of the assessment. Special forms are available at District Offices.

Such a step provides that, in an informal way, you may present your side before a third party and explain why you believe the assessment should be withdrawn or reduced.

You and your representative may have a personal meeting with an Assessment Review Officer either in Toronto or in a Retail Sales Tax District Office serving the area in which you are located. Following such meeting and review of all the facts presented you will be given a detailed explanation as to whether, in the opinion of the Assessment Review Officer, the assessment is in accordance with the provisions of the Act and Regulations.

If you disagree with his decision, you may appeal to the Supreme Court of Ontario.



## COMPUTER EQUIPMENT

In almost all circumstances, computer and data processing units are free-standing and not attached to the building in which they are installed other than by wires or cables to the source of power. They are generally leased by the user without the intention that they should become part of the building or structure.

The units are therefore considered to remain tangible personal property at all times and do not become part of realty. The supplier must charge tax on the sale price, or rent, for all units comprising the computer installation.



## SEMINARS

Retail Sales Tax seminars, a new concept to explain and interpret the Retail Sales Tax Act and Regulations in relation to day-to-day business decisions, continue to be popular in Ontario.

Since the first one was held at Seneca College almost three years ago, 15 have been staged. Five more are scheduled for the 1975-76 season.

The seminars are aimed at assisting manufacturers and various business groups in finding the answers to their tax problems. But vendors, tax specialists, accountants, lawyers, trade associations and even consumers will find the seminars helpful.

If your organization is interested in staging a seminar, we are prepared to provide literature, audiovisual material and expert speakers for such an event. For further information, write to:

The Director,  
Retail Sales Tax Branch,  
Ministry of Revenue,  
Queen's Park,  
Toronto, Ontario.

### NOTE:

Readers are reminded that much of the information in this Bulletin has been condensed from the Act and Regulations. For greater accuracy and specific application, reference should be made to these sources.

MINISTRY  
OF REVENUESALES TAX SCHEDULE  
AT 7%  
Effective January 1, 1976

AMOUNT	TAX	AMOUNT	TAX
\$ 21	.01	\$ 6.50 to 6.64	.46
22 to 35	.02	6.65 to 6.78	.47
36 to 49	.03	6.79 to 6.92	.48
50 to 64	.04	6.93 to 7.07	.49
65 to 78	.05	7.08 to 7.21	.50
79 to 82	.06	7.22 to 7.35	.51
93 to 107	.07	7.36 to 7.49	.52
108 to 121	.08	7.50 to 7.64	.53
122 to 135	.09	7.65 to 7.78	.54
136 to 149	.10	7.79 to 7.92	.55
1.50 to 1.64	.11	7.93 to 8.07	.56
1.65 to 1.78	.12	8.08 to 8.21	.57
1.79 to 1.92	.13	8.22 to 8.35	.58
1.93 to 2.07	.14	8.36 to 8.49	.59
2.08 to 2.21	.15	8.50 to 8.64	.60
2.22 to 2.35	.16	8.65 to 8.78	.61
2.36 to 2.49	.17	8.79 to 8.92	.62
2.50 to 2.64	.18	8.93 to 9.07	.63
2.65 to 2.78	.19	9.08 to 9.21	.64
2.79 to 2.92	.20	9.22 to 9.35	.65
2.93 to 3.07	.21	9.36 to 9.49	.66
3.08 to 3.21	.22	9.50 to 9.64	.67
3.22 to 3.35	.23	9.65 to 9.78	.68
3.36 to 3.49	.24	9.79 to 9.92	.69
3.50 to 3.64	.25	10.00	.70
3.65 to 3.78	.26	20.00	1.40
3.79 to 3.92	.27	35.00	2.10
3.93 to 4.07	.28	40.00	2.80
4.08 to 4.21	.29	50.00	3.50
4.22 to 4.35	.30	100.00	7.00
4.36 to 4.49	.31	200.00	14.00
4.50 to 4.64	.32	300.00	21.00
4.65 to 4.78	.33	400.00	28.00
4.79 to 4.92	.34	500.00	35.00
4.93 to 5.07	.35		
5.08 to 5.21	.36		
5.22 to 5.35	.37		
5.36 to 5.49	.38		
5.50 to 5.64	.39		
5.65 to 5.78	.40		
5.79 to 5.92	.41		
5.93 to 6.07	.42		
6.08 to 6.21	.43		
6.22 to 6.35	.44		
6.36 to 6.49	.45		

Use these computations in calculating larger amounts.

For Example

Sale	\$134.00
Tax on \$100.00	7.00
30.00	2.10
4.00	.28
Total	\$9.38

AMOUNT	TAX
\$ 10.08 to 10.21	.71
10.22 to 10.35	.72
10.38 to 10.49	.73
10.50 to 10.64	.74
10.65 to 10.78	.75
10.79 to 10.92	.76
10.93 to 11.07	.77
11.08 to 11.21	.78
11.22 to 11.35	.79
11.36 to 11.49	.80
11.50 to 11.64	.81
11.65 to 11.78	.82
11.79 to 11.92	.83
11.93 to 12.07	.84
12.08 to 12.21	.85
12.22 to 12.35	.86
12.36 to 12.49	.87
12.50 to 12.64	.88
12.65 to 12.78	.89
12.79 to 12.92	.90



## TAX RATE SCHEDULES

On January 1, 1976, Retail Sales Tax returns to 7%. Tax must be charged at the 7% rate on all taxable items previously taxed at 5%, including taxable services. The 10% rate remains unchanged on liquor, beer and wine, prepared meals over \$4.00 and prices of admission.

These schedules cover the most frequently used prices. You may wish to cut out the condensed table for use on your cash register. Additional copies are available from your District Office.

CUT ALONG DOTTED LINE

AMOUNT	TAX	AMOUNT	TAX	AMOUNT	TAX
\$ 12.93 to 13.07	.91	20.79 to 20.92	1.46	\$ 28.65 to 28.78	.201
13.08 to 13.21	.92	20.93 to 21.07	1.47	28.79 to 28.92	.202
13.22 to 13.35	.93	21.08 to 21.21	1.48	28.93 to 29.07	.203
13.36 to 13.49	.94	21.22 to 21.35	1.49	29.08 to 29.21	.204
13.50 to 13.64	.95	21.36 to 21.49	1.50	29.22 to 29.35	.205
13.65 to 13.78	.96	21.50 to 21.64	1.51	29.36 to 29.49	.206
13.79 to 13.92	.97	21.65 to 21.78	1.52	29.50 to 29.64	.207
13.93 to 14.07	.98	21.78 to 21.92	1.53	29.65 to 29.78	.208
14.08 to 14.21	.99	21.93 to 22.07	1.54	29.79 to 29.92	.209
14.22 to 14.35	1.00	22.08 to 22.21	1.55	29.93 to 30.07	.210
14.36 to 14.49	1.01	22.22 to 22.35	1.56	30.08 to 30.21	.211
14.50 to 14.64	1.02	22.36 to 22.49	1.57	30.22 to 30.35	.212
14.65 to 14.78	1.03	22.50 to 22.64	1.58	30.36 to 30.49	.213
14.79 to 14.92	1.04	22.65 to 22.78	1.59	30.50 to 30.64	.214
14.93 to 15.07	1.05	22.79 to 22.92	1.60	30.65 to 30.78	.215
15.08 to 15.21	1.06	22.93 to 23.07	1.61	30.79 to 30.92	.216
15.22 to 15.35	1.07	23.08 to 23.21	1.62	30.93 to 31.07	.217
15.36 to 15.49	1.08	23.22 to 23.35	1.63	31.08 to 31.21	.218
15.50 to 15.64	1.09	23.36 to 23.49	1.64	31.22 to 31.35	.219
15.65 to 15.78	1.10	23.50 to 23.64	1.65	31.36 to 31.49	.220
15.79 to 15.92	1.11	23.65 to 23.78	1.66	31.50 to 31.64	.221
15.93 to 16.07	1.12	23.79 to 23.92	1.67	31.65 to 31.78	.222
16.08 to 16.21	1.13	23.93 to 24.07	1.68	31.79 to 31.92	.223
16.22 to 16.35	1.14	24.08 to 24.21	1.69	31.93 to 32.07	.224
16.36 to 16.49	1.15	24.22 to 24.35	1.70	32.08 to 32.21	.225
16.50 to 16.64	1.16	24.36 to 24.49	1.71	32.22 to 32.35	.226
16.65 to 16.78	1.17	24.50 to 24.64	1.72	32.36 to 32.49	.227
16.79 to 16.92	1.18	24.65 to 24.78	1.73	32.50 to 32.64	.228
16.93 to 17.07	1.19	24.79 to 24.92	1.74	32.65 to 32.78	.229
17.08 to 17.21	1.20	24.93 to 25.07	1.75	32.79 to 32.92	.230
17.22 to 17.35	1.21	25.08 to 25.21	1.76	32.93 to 33.07	.231
17.36 to 17.49	1.22	25.22 to 25.35	1.77	33.08 to 33.21	.232
17.50 to 17.64	1.23	25.36 to 25.49	1.78	33.22 to 33.35	.233
17.65 to 17.78	1.24	25.50 to 25.64	1.79	33.36 to 33.49	.234
17.79 to 17.92	1.25	25.65 to 25.78	1.80	33.50 to 33.64	.235
17.93 to 18.07	1.26	25.79 to 25.92	1.81	33.65 to 33.78	.236
18.08 to 18.21	1.27	25.93 to 26.07	1.82	33.79 to 33.92	.237
18.22 to 18.35	1.28	26.08 to 26.21	1.83	33.93 to 34.07	.238
18.36 to 18.49	1.29	26.22 to 26.35	1.84	34.08 to 34.21	.239
18.50 to 18.64	1.30	26.36 to 26.49	1.85	34.22 to 34.35	.240
18.65 to 18.78	1.31	26.50 to 26.64	1.86	34.36 to 34.49	.241
18.79 to 18.92	1.32	26.65 to 26.78	1.87	34.50 to 34.64	.242
18.93 to 19.07	1.33	26.79 to 26.92	1.88	34.65 to 34.78	.243
19.08 to 19.21	1.34	26.93 to 27.07	1.89	34.79 to 34.92	.244
19.22 to 19.35	1.35	27.08 to 27.21	1.90	34.93 to 35.07	.245
19.36 to 19.49	1.36	27.22 to 27.35	1.91	35.00	.245
19.50 to 19.64	1.37	27.36 to 27.49	1.92	40.00	.280
19.65 to 19.78	1.38	27.50 to 27.64	1.93	45.00	.315
19.79 to 19.92	1.39	27.65 to 27.78	1.94	50.00	.350
19.93 to 20.07	1.40	27.79 to 27.92	1.95	55.00	.385
20.08 to 20.21	1.41	27.93 to 28.07	1.96		
20.22 to 20.35	1.42	28.08 to 28.21	1.97		
20.36 to 20.49	1.43	28.22 to 28.35	1.98		
20.50 to 20.64	1.44	28.36 to 28.49	1.99		
20.65 to 20.78	1.45	28.50 to 28.64	2.00		

For larger amounts compute the tax as illustrated above left.

FOR FURTHER INFORMATION CONSULT THE DISTRICT OFFICE IN YOUR AREA, AS LISTED BELOW:

BELLEVILLE K8N 1E3	208 Dundas St. E. Mr. W. A. Wormington 962-9108	NORTH BAY P1B 4A1	1500 Fisher St. Mr. G. J. Picard 474-4900	THUNDER BAY P7C 5G6	435 James St. S. Mr. C. H. Westerback
HAMILTON L8P 1B4	Mr. J. G. M. Coll 528-8393	ORILLIA	19 Front St. North Mr. R. L. Connell 326-3519	TORONTO M4P 1H6	85 Eglinton Ave. E. Mr. K. G. Allman 487-7161
KITCHENER N2G 1G1	824 King St. W., 4th Floor Mr. F. H. Jeffery 744-6318	OTTAWA K1Z 7L7	Hampton Park Plaza 1419 Carling Ave. Mr. J. M. Sabourin 728-5887	WELLAND L3B 3Z7	76 Division St. (In St. Catharines and in Niagara Falls) Mr. C. Himes 732-1318 688-1360 688-1368
LONDON N5W 3B9	1472 Dundas St. E. Mr. P. J. Bruyea 451-3000	SUDSBURY P3A 1Z7	1536 LaSalle Blvd Mr. W. E. Hyder 674-3151	WINDSOR N9A 1A8	374 Ouellette Ave Mr. S. J. Howard 252-4405



A Publication of the Ministry of Revenue

Government Publications

## Special Budget Tax Bulletin

April, 1976

# retail sales tax

MINISTRY OF REVENUE

The Honourable Arthur Meen, Q.C.  
Minister

T. M. Russell  
Deputy Minister

Bulletin 76-1

Queen's Park, Toronto

This Special Bulletin is to advise you of changes in the Retail Sales Tax Act, proposed by the Treasurer of Ontario, the Honourable Darcy McKeough, in the Ontario Budget of April 1976. Further information will be distributed as soon as it becomes available.

If you require immediate information beyond this summary material, please do not hesitate to contact your local Retail Sales Tax District Office as listed on page 4 of this Bulletin.

## BUDGET ITEMS

- PREPARED MEAL EXEMPTION INCREASED TO \$5.00
- EXEMPTION INTRODUCED FOR THERMAL INSULATION MATERIALS USED IN EXISTING RESIDENTIAL PROPERTIES
- TAX REDUCTION ANNOUNCED ON MOBILE HOMES

## OTHER CHANGES

- PERMANENTLY HANDICAPPED PERSONS - TAX RELIEF GRANTED ON SPECIALLY ADAPTED VEHICLES
- REFUNDS BY VENDORS AUTHORIZED
- REBATES AND REFUNDS -- PROVISION INTRODUCED FOR FILING NOTICE OF OBJECTION TO DISALLOWANCES

*Also*

## TOBACCO TAX INCREASE

- TAX ON CIGARETTES INCREASED  $\frac{1}{4}$ ¢ PER CIGARETTE
- TAX DUE IMMEDIATELY ON DEALER STOCKS
- NO CHANGE IN TAX ON CIGARS, PIPE OR FINE CUT TOBACCO

(See page 4 for further details)



## PREPARED MEAL EXEMPTION INCREASED TO \$5.00

### Increased Exemption

As of April 7, 1976 the exemption for prepared meals is increased to \$5.00 from the previous \$4.00.

This means that tax is not applicable to the sale price of a prepared meal of \$5.00 or less. Tax at the rate of 10% must be charged on prepared meals over \$5.00.

Where each person is given a separate bill, it is the total charge (excluding liquor, beer or wine) which determines whether the charge is taxable or exempt.

### Averaging

Vendors are reminded of the "averaging" procedure which may be used in their billings of prepared meals, if they wish. The charges for the meals of several persons are often recorded on one check. When this occurs, the number of persons served must be shown on the check and if the average price per person obtained by dividing the total amount of the food portion of the check by the number of persons served, is \$5.00 or less, tax does not apply. However, tax at 10% applies to the total amount of the check if the average price per person exceeds \$5.00.

### Liquor, Beer and Wine

Charges for liquor, beer or wine must always be shown separately and the total taxed at 10%.



## THERMAL INSULATION MATERIALS FOR EXISTING HOMES RELIEVED OF TAX

Effective April 7, 1976, sales tax relief is provided for thermal insulation materials when used for insulating existing homes, cottages and multiple residential units.

The insulation materials subject to tax relief are:

*Batt and blanket type insulation, loose fill insulation, rigid insulation and reflective insulation.*

All other insulation materials, such as weather-stripping, caulking materials, storm windows and doors of all types, pipe wrapping, boiler wrapping, duct wrapping and acoustical insulation, remain taxable.

The specified materials will qualify for relief only when used to insulate an existing completely constructed dwelling that is not a motel, hotel, office building, factory building or other commercial or industrial building, or a new dwelling under construction.

Procedures for obtaining tax relief:

### Individuals

An individual not acting as a contractor may make retail purchases of insulation materials qualifying for relief exempt of tax. Purchasers will provide their suppliers with a purchase exemption certificate in

the form shown below. Suppliers will be provided with copies of these forms.

### Contractors

A contractor who incorporates insulation materials for an individual in an existing dwelling may obtain tax relief on such materials in one of the following ways:

- (1) If the material is being purchased for a specific contract the contractor may purchase the material tax exempt by providing his supplier with a purchase exemption certificate in the form illustrated below. The contractor must give the address of the dwelling unit and certify that it is an existing dwelling.
- (2) Where a contractor specializes in insulation contracts and the majority of his contracts are for existing dwelling units, he may become registered under The Retail Sales Tax Act. Once registered he may purchase insulation materials exempt by providing his supplier with a regular purchase exemption certificate and account for tax on retail sales tax returns for those insulation materials used in taxable projects.
- (3) Contractors who are already registered under The Retail Sales Tax Act may purchase insulation materials tax exempt and account for taxable use or purchase these materials tax paid and adjust their returns for materials used under exempt conditions. If unable to adjust their returns, contractors may apply for a refund. (See item 4 below.)
- (4) All other non-registered contractors will purchase insulation materials on a tax paid basis and may apply for a refund of tax on those materials used under exempt conditions. Details of how to make application for refund may be obtained from any of the Retail Sales Tax District Offices listed on Page 4.

*Thermal Insulation Materials Exemption Certificate: for individuals and certain contractors (see (1) above):*

I certify that the thermal insulation materials purchased hereunder are to be used exclusively to insulate an existing home or cottage at the following address:

ADDRESS \_\_\_\_\_

(please print)

Signature of Individual or Contractor

Date

Printed copies of the above certificate will be available at Retail Sales Tax District Offices. Alternatively, the certificate may be typed, written, printed or stamped by means of a rubber stamp on the sales document.

*Regular Exemption Certificate:* for all contractors registered under The Retail Sales Tax Act (see (2) or (3) above):

Suppliers of insulation materials please note that for all registered contractors purchasing insulation materials on a tax exempt basis, the regular exemption procedures should be followed. Copies of regular Purchase Exemption Certificates which may be used on an individual or blanket purchase basis are available from the Retail Sales Tax District Offices listed on Page 4.

Contractors, Suppliers and Individuals should contact the Retail Sales Tax District Office in their area for any further information required.

#### SPECIAL INSTRUCTIONS FOR AMERICAN PLAN ACCOMMODATION

Because meals over \$5.00 are taxable at the rate of 10% and accommodation is taxable at the rate of 7%, the one price charged for room and meals combined under the American Plan will be taxed as follows:

- (a) 3%—where the weekly charge to a guest is not greater than \$140.00 or the daily charge is not greater than \$20.00, or
- (b) 5%—where the weekly charge is greater than \$140.00 or the daily charge is greater than \$20.00.

#### TAX BASE REDUCED ON CERTAIN NEW MOBILE HOMES

Effective April 7, 1976, new mobile homes designed for use as residences and meeting C.S.A. Standard Z240 will be subject to a tax of 7 per cent on a reduced base.

On sales of eligible mobile homes, retail sales tax at the rate of 7% will apply on 50% of a dealer's selling price, inclusive of delivery charges. This measure effectively accords to mobile homes a tax treatment equivalent to that experienced in on-site residential construction.

Eligible and ineligible mobile homes are specified below:

(a) *Eligible*

To be eligible for tax on a reduced base, the mobile home must:

- (i) be a mobile home as defined in C.S.A. Standard Z240.0-1973; and meet the C.S.A. Z240 series of standards;
- (ii) be a new unit not previously sold at a retail sale;
- (iii) be used for residential purposes.

(b) *Ineligible*

The following do NOT qualify for taxation on the reduced base:

- (i) mobile industrial or commercial vehicular structures such as construction offices,

bunk houses, wash houses, kitchen and dining units, libraries, TV units, industrial display units, laboratory units and medical clinics;

- (ii) recreational vehicles or components such as travel trailers, tent trailers, motor homes, slide-in campers, chassis-mounted campers or other vehicles or portable structures of the same general classes;
- (iii) modular homes which are not built on a chassis and are not designed to be transported on their own chassis and wheel system.

Used mobile homes meeting all the eligibility conditions outlined in (a) above, other than item (ii), will be completely exempt from retail sales tax after April 6, 1976.

Further details concerning the reduced tax base are contained in The Special Tax Bulletin for Mobile Home Dealers. Copies of this Bulletin may be obtained from your local Retail Sales Tax District Office.



#### TAX RELIEF ON SPECIALLY ADAPTED VEHICLES FOR PERMANENTLY PHYSICALLY HANDICAPPED PERSONS

Upon application to the Minister a rebate of tax may be obtained with respect to the purchase of a motor vehicle which is specially adapted to transport permanently physically handicapped persons.

The rebate will not be available to purchasers who are engaged in the business of transporting people for commercial purposes.



#### VENDORS' TAX ADJUSTMENT TO PURCHASERS

The purpose of this provision is to clarify vendor's responsibilities and to provide a two year limitation on refunds made in these circumstances.

The provision now authorizes a vendor to make a refund of tax with respect to a sale made to his customer, providing the refund is made to his customer within two years of the sale and for no other reason than mathematical error, price alteration (including discounts), return of goods, sale cancellation or receipt of a resale purchase exemption certificate.



#### NOTICES OF OBJECTION—REFUNDS AND REBATES

This section is amended to allow the filing of a Notice of Objection with respect to the disallowance of a refund or rebate. Previously such action was authorized only with respect to Notices of Assessment.

Please note this applies only to refund and rebate claims filed after April 6, 1976.



A Division of the Ministry of Revenue

# tobacco tax

MINISTRY OF REVENUE



## TAX ON CIGARETTES INCREASED

*Effective April 7th, 1976, the tax on cigarettes has been increased from 0.46¢ to 0.71¢ per cigarette, an increase of ¼¢ on each cigarette.*

All retailers who held stocks of cigarettes in Ontario at midnight April 6th, 1976, have been required to complete an Inventory Declaration and Advice Form and must remit the additional tax due on the stocks to the Ministry of Revenue. Any retailer of cigarettes who did not receive an Inventory Declaration Form should, in order to avoid penalties, advise the Gasoline Tax Branch, Ministry of Revenue, Queen's Park, Toronto, Ontario M7A 1Y3, 965-2587. Forms are also available from the Retail Sales Tax Office serving your area—as listed below.

There has been no change in the taxes on cigars, pipe and fine cut tobaccos.

**FOR FURTHER INFORMATION ON RETAIL SALES TAX,  
CONSULT YOUR LOCAL DISTRICT OFFICE:**

BELLEVILLE K8N 1E3	208 Dundas St. E Mr. W. A. Wormington 962-9108	NORTH BAY P1B 4A1	1500 Fisher St Mr. G. J. Picard 474-4900	THUNDER BAY P7C 5G6	435 James St. S. Mr. C. H. Westerback
HAMILTON L8P 1B4	361 King St. W. Mr. J. G. M. Coll 528-8393	ORILLIA L3V 6K5	19 Front St. North Mr. R. L. Connell 326-3519	*TORONTO M4P 1H6	85 Eglinton Ave. E. Mr. K. G. Allman 487-7161
KITCHENER N2G 1G1	824 King St. W., 4th Floor Mr. F. H. Jeffery 744-6318	OTTAWA K1Z 7L7	1419 Carling Ave. Mr. W. Reynolds 728-5887	WELLAND L3B 3Z7	76 Division St. Mr. C. Himes 732-1318 (In St. Catharines and in Niagara 688-1360) Falls) 688-1368
LONDON N5W 3B9	1472 Dundas St. E. Mr. P. J. Bruyea 451-3000	SUDBURY P3A 1Z7	1536 LaSalle Blvd Mr. W. E. Hyder 674-3151	WINDSOR N9A 1A8	374 Ouellette Ave. Mr. S. J. Howard 252-4405

\*As of June 1, 1976, the Toronto office will be located at 2300 Yonge St



A Publication of the Ministry of Revenue

Special Announcement  
Tax Bulletin

November, 1976

# retail sales tax

## MINISTRY OF REVENUE

The Honourable Arthur Meen, Q.C.  
Minister

T. M. Russell  
Deputy Minister

Bulletin 76-2

Queen's Park, Toronto

This special Bulletin is to inform you of changes in the Retail Sales Tax Act proposed on November 23, 1976 by the Honourable Darcy McKeough, Treasurer of Ontario. In addition, recent modifications of exemptions for municipalities and their local boards are outlined.

To obtain further information please do not hesitate to contact your local Retail Sales Tax District Office as listed on page 4 of this Bulletin.

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On November 23, 1976, the Treasurer of Ontario announced new measures to enhance Ontario industry's productive capacity and to improve Ontario's competitive position within the North American economy.

These measures include the introduction of a new Retail Sales Tax exemption for production machinery and equipment. In addition, rebates of Retail Sales Tax will be paid to Ontario businesses which upgrade existing productive capacity. Details of the new exemption and the rebate are given in this Bulletin.

In introducing these new measures, a Ministry of Revenue objective is simplification of tax compliance and administration, to which the Government of Ontario is firmly committed in general.

In order to meet this objective, the enabling legislation will follow, as far as possible, established provisions and practices under The Excise Tax Act (Canada). Where provisions are substantially the same in both Acts the Ministry will use Federal interpretations and rulings as the basis for interpretations under the Ontario Act. Similarly, some aspects of the existing Ontario Act which already parallel the intent of the Federal provisions will be modified to parallel more closely the wording of the Federal Act.

The requirement to file purchase orders over \$15,000 for the expiring temporary exemption will be dropped as an additional tax simplification measure.



## NEW EXEMPTION FOR PRODUCTION MACHINERY AND EQUIPMENT EFFECTIVE JANUARY 1, 1977

Effective January 1, 1977, a new incentive will exempt machinery and equipment acquired for use directly in the manufacture or production of tangible personal property.

The exemption will be available to manufacturers including those engaged in mining, quarrying, forestry, fabricating, assembling, and recycling.

The exemption provided for such equipment will not be available to the Ontario Government and municipal governments, and their respective agencies, boards and commissions. Nor will it be available to a person who manufactures or produces tangible personal property of a value of less than \$5,000 annually.

### Exempt Machinery and Equipment

- (a) machinery and apparatus used by manufacturers or producers directly in
  - (i) the manufacture or production of tangible personal property,
  - (ii) the development of manufacturing or production processes for use by them, or
  - (iii) the development of goods for manufacture or production by them;
- (b) machinery and apparatus used by manufacturers or producers directly in the detection, measurement, prevention, treatment, reduction or removal of pollutants to water, soil or air attributable to the manufacture or production of tangible personal property;
- (c) equipment used by manufacturers or producers for carrying refuse or waste from machinery and apparatus used directly in the manufacture or production of tangible personal property or for use in exhausting dust and noxious fumes produced by manufacturing or producing operations;
- (d) gasoline powered and diesel powered self-propelled trucks mounted on rubber-tired wheels for off-highway use exclusively at mines and quarries;
- (e) internal combustion tractors, other than highway truck tractors, for use exclusively in the operation of logging, such operation to include the removal of the log from stump to skidway, log dump, or common or other carrier;
- (f) logging wagons and logging sleds;
- (g) machinery, logging cars, cranes, captive balloons having a volume of 150,000 cubic feet or more,

blocks and tackle and wire rope; all the foregoing for use exclusively in the operation of logging, such operation to include the removal of the log from stump to skidway, log dump, or common or other carrier;

- (h) pipes or tubes commonly known as "oil-country goods" being casing or tubing and fittings, couplings, thread protectors and nipples therefor; drill pipe; all of the foregoing for use in connection with natural gas or oil wells;
- (i) machinery and apparatus, including wire rope, drilling bits and seismic shot-hole casing, for use in exploration for or discovery or development of petroleum, natural gas or minerals;
- (j) drilling mud and additives therefor.

Note: The above items may be purchased free of tax by purchasers who provide suppliers with a purchase exemption certificate.

### Rebate for Modification to Production Machinery or Equipment

Tax paid on parts used in the modification of machinery or equipment *may be rebated* if the modifications increase the unit's output or capacity beyond the original specified output rating by at least 25%. The rebate application must be submitted within two years of payment of the tax.

Note: The new exemption for machinery and equipment does *not* extend to general repair and maintenance parts for such items and tax must be paid on all parts at the time of acquisition.

## **Machinery and Equipment NOT Exempt**

- (1) repair and maintenance equipment;
- (2) parts, including those for exempt production machinery and equipment unless otherwise expressly exempted. *Exemption* is available for:
  - (a) dies, jigs and product-holding fixtures (see reference this page),
  - (b) parts used to fabricate new production machinery or equipment;

Note: A rebate will be available for parts used to modify production machinery or equipment in certain circumstances. (See page 2):

- (3) geophysical surveying precision instruments and equipment for use in prospecting for, or in the exploration and development of, petroleum, natural gas, water wells and minerals, or for geophysical studies for engineering projects;
- (4) safety devices and equipment used by manufacturers or producers in the prevention of accidents;
- (5) plans and drawings, related specifications and substitutes therefor, and reproductions of any of the foregoing;
- (6) machinery and equipment used directly in the construction of real property such as buildings, structures, roads, sidewalks.

## MATERIALS CONSUMED OR EXPENDED—EXEMPTION TO CONTINUE

The existing exemption for materials expended or used up in a production process is unaffected by the introduction of the new exemption for production machinery and equipment.

The wording of the exemption however will be revised to read substantially as follows:

Materials (not including grease, lubricating oils or fuel for use in internal combustion engines) expended or used up by manufacturers or producers directly in

- (a) the process of manufacture or production of tangible personal property,
- (b) the development of manufacturing or production processes for use by them,
- (c) the development of goods for manufacture or production by them or,
- (d) the detection, measurement, prevention, treatment, reduction or removal of pollutants described in paragraph (b) on page 2.

## DIES, JIGS, PRODUCT-HOLDING FIXTURES—EXEMPTION UNCHANGED

The following items continue to be exempt and are unaffected by the new exemption for production machinery and equipment:

dies, jigs, product-holding fixtures, moulds and patterns for any of them, tools attached to production machinery, and explosives and refractory materials, expended or used up in the process of manufacturing tangible personal property for sale or use.



## **TEMPORARY EXEMPTION FOR PRODUCTION AND CONSTRUCTION MACHINERY AND EQUIPMENT TERMINATES**

*Effective December 31, 1976*

### **Temporary Exemption**

This special exemption ends as of December 31, 1976, except for production and construction machinery and equipment ordered before December 31, 1976 and delivered in 1977.

### **Construction Machinery and Equipment**

The new exemption does not apply to purchases or rentals of machinery and equipment used in the construction of real property, which are currently exempt under the temporary exemption. Please note that rentals will become taxable for the periods after December 31, 1976.

### **Filing of Copies of Purchase Orders**

The filing of copies of purchase orders or contracts over \$15,000 outstanding at December 31, 1976 is no longer required. However, evidence satisfactory to the Minister must be provided to substantiate that deliveries made in 1977 are pursuant to orders placed between April 8, 1975 and December 31, 1976.



## **PRODUCTION PROPERTY REPEALED**

The definition of "production property" and the references made to it in the Retail Sales Tax Act will be repealed.

The new exemption for production machinery and equipment substantially covers the machinery, equipment or structures included in the "production property" categories.

*Problems relating to fixtures, which these provisions were designed to modify, will continue to be studied by the Ministry of Revenue. We hope the constructive dialogue we have had with and helpful comments we have received from representatives of the manufacturing and contracting industries during the past year will continue.*



## CAPITAL WORKS EXEMPTION FOR MUNICIPALITIES AND THEIR BOARDS

The Retail Sales Tax Act provides exemption for municipalities and their local boards for the purchase of tangible personal property which is to be incorporated into and become part of capital works.

As of January 1, 1977 the scope of this exemption is being modified.

Exemptions will be available for building materials and built-in equipment directly servicing buildings (such as built-in heating and air conditioning equipment), as well as water pipes, storage tanks, sewer pipes, settling tanks, direct buried cable, conduit, poles, roads and sidewalks.

The exemptions available in other areas to municipalities and local boards remain substantially unchanged. Detailed lists of taxable and exempt items will be available in the near future.

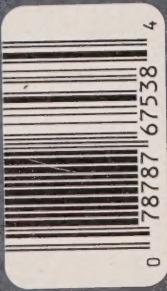
*Seminars will be held during December for representatives of all electrical utilities. These seminars are held under the auspices of the Association of Municipal Electrical Utilities with the assistance of Retail Sales Tax Branch staff. Similar seminars will be available to municipalities and we invite members of various municipal groups to contact us so that suitable arrangements can be made.*

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### FOR FURTHER INFORMATION CONSULT THE DISTRICT OFFICE IN YOUR AREA, AS LISTED BELOW:

<b>BELLEVILLE</b> <b>K8N 1E3</b>	208 Dundas St. E. Mr. W. A. Wormington <b>962-9108</b>	<b>NORTH BAY</b> <b>P1B 4A1</b>	1500 Fisher St. Mr. G. J. Picard <b>474-4900</b>	<b>THUNDER BAY</b> <b>P7C 5G6</b>	435 James St. S. <b>475-1681</b> Mr. C. H. Westerback
<b>HAMILTON</b> <b>L8P 1B4</b>	361 King St. W. Mr. J. G. M. Coll <b>528-8393</b>	<b>ORILLIA</b> <b>L3V 6K5</b>	19 Front St. North Mr. R. L. Connell <b>326-3519</b>	<b>TORONTO</b> <b>M4P 1H6</b>	2300 Yonge St. Mr. K. G. Allman <b>487-7161</b>
<b>KITCHENER</b> <b>N2G 1G1</b>	824 King St. W. Mr. F. H. Jeffery <b>744-6318</b>	<b>OTTAWA</b> <b>K1Z 7L7</b>	Hampton Park Plaza 1419 Carling Ave. Mr. W. Reynolds <b>728-5887</b>	<b>WELLAND</b> <b>L3B 3Z7</b>	76 Division St. Mr. C. Himes <b>732-1318</b> (In St. Catharines and in Niagara Falls) <b>688-1360</b>
<b>LONDON</b> <b>N5W 3B9</b>	1472 Dundas St. E. Mr. P. J. Bruyea <b>451-3000</b>	<b>SUDBURY</b> <b>P3A 1Z7</b>	1536 LaSalle Blvd. Mr. W. E. Hyder <b>674-3151</b>	<b>WINDSOR</b> <b>N9A 1A8</b>	374 Ouellette Ave. Mr. S. J. Howard <b>252-4405</b>





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